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SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign $8.50. Canadian $8.00. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

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With Our Readers

Sirs:

I note that we have had eighteen months of "priming the pump" and experimenting to bring the country out of the depression and increase prices, but the result seems to be more unemployment and increased prices for all food products, and now the Administration wants $5,000,000,000 to continue the speculation.

Why not adopt the Townsend Plan of Old Age Pensions, and resumption of prosperity within thirty days? It is estimated that this would create purchasing power of $2,000,000,000 per month. If this was done there would be an immediate demand that would take up all the efficient unemployed and make a demand greater than the supply for labor. Undoubtedly factories would be running twenty-four hours per day. My understanding is that to secure the money to pay these pensions there would be a small sales tax of not exceeding 10 per cent on all sales, either retail sales or the source of supply for manufacturing goods. The budget could be balanced and all expenses for unemployment could be cancelled.

There is quite a nucleus in Congress favoring this plan and I have been unable to find the flaw, if any. I wish you would study the plan and if you have any objections, I would like to hear them.—D. A. M., Washington, D. C.

We assure you we have studied the Townsend Plan. We are somewhat surprised, not to say startled, that it can receive serious consideration. You speak of this simple formula as creating purchasing power of $2,000,000,000 a month. There is the basic flaw which you have overlooked. It will not create one dime of purchasing power. What it will do, accepting your figures, is to confiscate by taxation and redistribute $2,000,000,000 a month of purchasing power already created by our economic organization and already in existence. If it could be created by magic, why the need of a tax? No doubt Dr. Townsend is sincere, but he apparently does not realize that in reality his plan would simply rob Peter on a gigantic scale to pay Paul. The only measure of our total purchasing power that means anything is the national income, now less than $50,000,000,000 a year. To extract $24,000,000,000 a year out of this by taxation would, in our opinion, double prices at the least. Who could continue buying, except the minority on pensions? We assure you factories would not "run twenty-four hours a day." On the contrary, many would shortly close. Such an experiment would be about as helpful as a national earthquake. The best that can be said of it is that the shock would not last very long. The thing would blow up of its own futility in a few weeks, perhaps teaching a lesson in practical economics. Unfortunately, a great many Americans don't care anything about practical economics. They prefer listening to fairy tales.—Ed.

Sirs:

O. H. L., Minneapolis, Minn., in your "With Our Readers" page of January 5th proposes a novel scheme to take care of the 10,000,000 unemployed by locating them somewhere to build for themselves a new city—a kind of New Jerusalem, as it were.

I am interested to know if O. H. L. would put them down in some valley rich with all the possibilities of the "promised land" but with no "money." They would be helpless without a circulating medium and I don't think they could create our modern currency, once so plentiful and *elastic,* bank credit. Then what would be their remedy? Should the new city government organize a bank for some few of them and let these few create bank credit? If so, would that not be a flop just as bank credit is today, and be, in fact, unattainable?

This new bank failing to function, would the new government stand pat and give these poor, anxious-to-work people no tools (money) with which to begin operations, leaving them in the identical position they are in today; or would it do as A. Lincoln did, when he wanted to win the Civil War, but was without the ready cash or the credit to do it, and print a few hundred millions of "greenback" legal tender, and so turn the trick?—A. K., Forth Smith, Ark.

Another plan, so help us! We don't know what O. H. L. would have his people use for money, but if we are correct in reading between the lines of your letter that you favor greenbacks as a remedy for our present ills we don't agree by many jugfuls. Why bring Lincoln in? He was at war, without gold or credit. We haven't the excuse of war, and the Government has both gold and credit. You speak of bank credit as once plentiful and elastic. A thing that is elastic stretches both ways, not just one. Most of us like to see bank credit stretch up, but never contract. We don't believe our present headache is either money or credit, though most think so in every depression.—Ed.

Sirs:

A tax on savings can oil the gears of the badly-timed economic machine. Yes, it is the antithesis of the principle of thrift taught by older generations to their toddling youngsters as lesson number one. But many other sacred principles have been put away in the attic during the redesigning of the capitalistic structure. Capitalism can continue to give us essentials and increasing luxury, but it can not increase production indefinitely when every potential consumer prefers to enlist in the ranks of the producers.

The gist of the problem is: to balance production on the one hand with consumption plus a *reasonable* amount of investment in producers' goods on the other. This reasonable amount will be a variable related to the growth of population, the breadth of income distribution, and the creation of new consumers' goods which give an added impetus to consumption such as that brought about by the automobile, the radio and the electric refrigerator.

The tax on savings should be graduated, as is the income tax. The effect would be to drive large incomes into consumption, which would facilitate production, employment and distribution. The reverse is true of the income tax. Elaboration of this proposal can show a tendency to flatten the cycle of boom and depression. However, I am merely introducing my protege, not writing his complete certificate of good character.—E. H. G., Buffalo, N. Y.

This department seems to be running very, very heavy on plans. We begin to feel it would be an excellent idea to

(Please turn to page 470)

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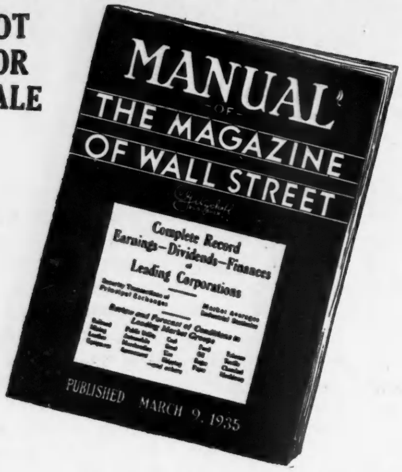

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WITH THE EDITORS

Don't Argue With the Market

PROBABLY every one of us at one time or another has had the experience of making a security purchase with every expectation of price enhancement and then found we were wrong—dead wrong. A careful analysis of the company, its position and prospects may have been made, the news was as expected and in favor of the issue, the markets as a whole advanced, yet our stock stood still or receded.

Unfortunately, the common tendency under such circumstances is to hang on. Most of us dislike to acknowledge mistakes. If we are patient our judgment will ultimately be vindicated, we reason. Perhaps it will be, but usually when the market says "no" there is a valid reason. The composite judgment of all of the market's participants is most likely to be correct and the individual's is wrong.

Not infrequently the most astute observer of the markets technique reads the signs of advance in the market's own action. He finds confirmation of his views in reports of business and industry yet the price pattern that subsequently develops is at variance with his expectations. Being skilled in market technique he does not wait to be proved completely wrong. He swallows his small loss and is ready to try again. He refuses to argue with the trend for he recognizes that there are forces at work, or news developments impending, or psychological influences as yet undiscernible, of which he is not aware.

In the holiday season just passed the news was full of the remarkable activity in retail trade. Sales were reported well ahead of last year, the best since 1931, up from 5% to 25%, depending on the center from which reports came. On first blush the merchandising issues would have seemed to be good purchases. As a matter of fact, they were sluggish, with few exceptions, throughout December and early January. There was little or no response to increased sales volume. Buying, attracted by superficial or obvious indications, was offset by informed selling—selling by those who knew that larger sales volume was prevented by rising costs from being translated into greatly increased profit and that current prices already placed a generous appraisal on current earnings.

This is a typical example of the futility of arguing with the market. No matter what you may know about any security or market situation, there are always "insiders", company officials, and their friends and associates, who know more. When the market does not bear out your judgment it is usually costly to hold out against it.

The direction in which security prices go is determined by a majority opinion. Sometimes the majority is wrong, but since it ordinarily includes the most informed buyers or sellers, such instances are infrequent. The minority side is seldom the profitable side except in panics or at the peaks of booms. Since neither of these extremes prevails now, or is in prospect, the safest advice to the trader or short-swing operator is to ride with the trend. Ride in the vanguard if you can, but at all events, be sure your direction is right.

In the Next Issue

Part II—Semi-Annual Dividend Forecast

Steel	Metals	Oils
Automobiles	Tires and Accessories	Chemicals
Merchandising	Building	Foods

Foreign Trade Reaches 40% of the Boom Level
By H. M. Tremaine

Steel Mergers in the Making
By C. F. McCord

Why Liquor Stocks Are Behind the Market
By George L. Merton

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The Trend of Events

JUST ANOTHER BILLION

THE Home Owners' Loan Corporation having virtually used up its \$3,000,000,000 of lending power, we now hear various proposals in Congress to give it more. This, of course, was only to have been expected. The further the Government goes in emergency credit operations, the greater the demand for more. Everybody likes a good spender. Everybody also likes a good lender.

It is reported that the Administration is prepared to accept an addition of \$1,000,000,000 to the lending power of this agency, forestalling Congressional demands that run as high as \$3,000,000,000. Maybe that is the only practical strategy open to Mr. Roosevelt. Nevertheless, this sort of thing forces us to wonder sometimes whether the Administration is not in considerable danger of compromising itself into a considerable strain of the public credit—to say the least.

Some weeks ago it was officially stated that some 20 per cent of the home owners helped by the H O L C are in default or delinquent on their obligations. Nothing further has been heard on this very interesting subject. Can it be that a considerable percentage of borrowers believe Uncle Sam will never foreclose on their homes? We would not be surprised if that is the reasoning. It would account for mounting defaults, already significantly large when one considers the short time this agency has been functioning.

Another billion dollars? Why not let the public have the facts first on the wisdom or lack of wisdom with which the previous three billions have been loaned? If we are all going into the real estate business, through our central government, we have a right to know it. Here is something that Congress could investigate to better purpose than war profits or the air mail.

THE SWISS WAY

ON petition of more than 300,000 citizens, a national plebiscite will soon be held in Switzerland to pass on the question of changing the Swiss Government's economic policy. Here is the voters' exercise of initiative, duly provided by the law of the land in the Swiss democracy and advocated by many students of government in this country.

In effect, this means the Swiss public is going to decide whether that nation will continue to adhere to the gold standard at its present parity for the Swiss franc. Here we have merely another outward symptom of the terrific deflation to which the gold bloc countries are now subjected by the depreciated cur-

rencies of other nations—and none more so than little Switzerland.

It is even more interesting to realize, however, that here is the ultimate test of democracy. Would you trust the mass of the American people to decide wisely in voting on such a momentous question? We confess that it gives us pause. Yet one who doesn't so trust can not logically believe in democracy at all. As it is, our majority of voters decides national policies in a slower and more clumsy way—by voting for or against candidates for office. On the whole, we string along with the Swiss way. It has the merit of bringing vital public issues to a head and a clear test. Democracy has its weaknesses—but who wants Communism, Monarchy, Fascism or other rule from above?

HOLDING COMPANIES

WE know that there are good public utility holding companies and bad public utility holding companies, but whether President Roosevelt knows it or believes it is by no means clear. We read that the New Deal is ready to fire some of its biggest guns at "the holding companies", but we do not know precisely what it is shooting at. It is regrettable that so important an issue should be dealt with in vague generalities, even though such is the Washington custom with many issues.

Is the President opposed to any and all holding companies or only to those demonstrably guilty of financial abuses? To us it would seem most difficult to lay down a general rule which will work fairly and in the public interest in every instance. A holding company which exists solely or chiefly for the financial exploitation of controlled operating companies is one thing. Quite a different thing is the holding company whose function is to manage a homogeneous group of utility properties in such a way as to render better and cheaper service than can be rendered by those properties individually.

The principle is sound and in the public interest in the same way that the chain store principle is sound. Where considerations of common sense engineering justify a utility holding company, it will usually be found to have economic justification. Should we cut down the tree to get at a few diseased limbs?

MORE CO-OPERATION?

THE hint from Washington is that once more the Administration desires to pay more attention to what business wants. We hope it means it this time, but we can't help keeping our fingers crossed as we remember the Roosevelt reaction a few weeks ago to the more or less innocuous suggestions so laboriously formulated by leading industrialists at White Sulphur Springs.

It is predicted that the front pages of the newspapers will see a great deal more of Secretary of Commerce Roper—who is one of the New Dealers who means it when he says he favors the profit system—and of his business and advisory planning council of fifty, headed by H. P. Kendall of Boston. At the same time comes the suggestion by some observers that Mr. Roosevelt stands in some danger of losing support from the Left, which he will need to replace by new recruits from the Right. Whether this be so or not we are disposed to commend the formation of a business council and to hope that its advice will at least be given consideration. There is increasing recognition that private enterprise must carry most of the burden of enduring recovery. Here is the opportunity to shift some of the load. Will the President make full use of it? If not, talk of co-operation will be a farce.

NEW FINANCING ENCOURAGED

TAKEN as a combination, the Securities Act of 1933 and the Securities Exchange Act of 1934 were potent medicine. Indeed, they were so potent that for a time it seemed as if an overdose had been given and that the marketing of securities was destined to remain moribund for a great length of time. Fortunately, the Securities and Exchange Commission, headed by Mr. Kennedy, which was entrusted with the enforcement of the laws, has so administered them as to dispel many of the fears previously held. The regulations now laid down for the issuance of new securities is a case in point. The requirements are a logical addition to that required for registration upon an exchange, thereby saving corporations whose stocks are listed much time and money. Currently, there are scores of bond issues, aggregating millions, perhaps billions, of dollars, which are selling above their call price. Yet, corporations and banking houses have feared to refund them, regardless of possible savings in interest charges, lest they become enmeshed in the responsibilities of the law. The new form "A-2," accompanied as it is by an "instruction book," should make matters much easier. No longer need there be a technical description of patents; the information required as to franchises has been simplified; while the definition of "material fact" has dispelled much uncertainty. While no immediate flood of refundings can reasonably be expected for the reason that even the more lenient requirements need to be studied by corporate officials and houses of issue and because, apart from this, it takes time to formulate refunding plans, there are certainly grounds for hope that new financing gradually will become more normal. The present situation, after all, is ridiculous—on the one hand money so easy that it can barely be lent at any price while, on the other, those that need money are obliged to pay a high rate for it.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 428. The counsel embodied in this feature should be considered in conjunction with all investment suggestions elsewhere in this issue.

Monday, January 28, 1935.

As I See It ~ By Charles Benedict

Building New Pyramids—of Debt

HAS America swallowed whole the doctrine of the British economist, J. M. Keynes? Is she staking her future on his theory that public works are the way out of depression? These are questions which London is asking as she wonders whether the fate of 120 million Americans is to rest on the judgment of a "wayward genius with an irresponsible passion for experiment."

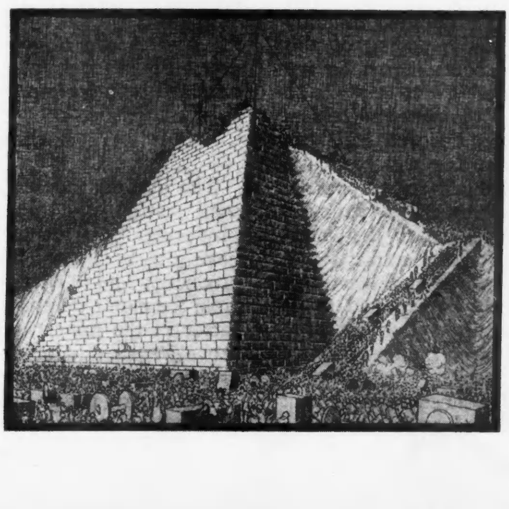
The question which concerns us, however, is not whether Mr. Keynes is the inspiration of our vast public works expenditure, but whether we are to ignore the priceless lessons bequeathed for the guidance of reasonable men which show that every such experiment has been a colossal failure for the great nations which have tried it in the past. We do not have to go back to ancient times to see what a failure public works programs have been. We have recent examples in Germany where people finally grasped at the Hitler straw in the hope of being saved from utter collapse—and in Great Britain where it was found so expensive and so slow in producing jobs that she gave it up and went back to cash relief.

For nearly two years the New Deal has been trying to stimulate business and provide work for the unemployed,—through N R A, P W A, F E R A and the other alphabetical bureaus. Then there was the Federal Housing Administration, whose achievements to date in renovation loans and mortgage financing constitute but a tiny drop in our economic bucket.

And now comes one more great effort, involving the expenditure of more than four billion dollars!

Under this latest plan the Government proposes to provide useful work for 3,500,000 unemployed men and hopes that the resulting business stimulation will create an equal number of private jobs, thus effecting a total reduction of 7,000,000 in the number of our unemployed. In the realistic $50 a month wage scale contemplated, this program is a vast improvement on the costly P W A method. For his insistence on this point the President deserves great credit.

More than a sound wage policy, however, is required to make the plan a success either in terms of actual relief jobs or general business stimulation. The greatest practical difficulty is to devise useful work projects in or near localities where the greatest unemployment exists. Obviously this problem explains the fact that the President has demanded blanket authority to spend $4,000,000,000 and has not yet announced any specific projects.



The tentative outline indicates that the Administration is exploring such possibilities as slum clearance, grade crossing elimination, rural electrification and subsistence homesteads. Knowing the President's penchant, one can easily imagine some soil erosion work and reforestation entering the picture.

What is this likely to mean to the unemployed? Let us consider each of the above classifications. Slum clearance would provide useful work in centers where unemployment is greatest. The difficulties are high land values and high cost of building materials. There is the further problem that, while construction workers constitute the largest single block of unemployment, by no means all of the workers now on the Federal relief rolls are artisans or capable of doing construction work.

By far the greatest number of railroad grade crossings are away from cities. Many such otherwise desirable projects present insuperable obstacles in regard to the transportation of urban workers to the work sites and their housing thereabouts. On the other hand, it is probable that a fairly imposing total of such work can be devised in suburbs more or less close to population centers. It would require a smaller proportion of trained artisans than slum clearance. It would also involve fewer materials than slum clearance.

Subsistence homesteads? Their location in suburbs or otherwise within reach of cities would involve land costs so high as to defeat the basic theory. To construct them in rural regions where land costs are low would not employ urban workers, unless we propose to transport those workers considerable distances and arrange temporary housing for them.

Precisely the same difficulty will be met in rural electrification, but with the added difficulty that this work, to be even acceptably done, would require a high percentage of workers with specialized technical skill. Soil erosion and reforestation work would provide jobs for all classes of workers, but for the bulk of the urban unemployed would present the obstacles of transportation from the cities and housing. In this connection, the work of the C C C has often been cited. That is fine for young men. It is no solution for family heads, the vast majority of whom desire work at or close to home and would be most reluctant to accept any other.

On the whole, I venture the prediction that the new program will prove but moderately more effective than the old one in terms of unemployment relief and no better in terms of business stimulation.

(*Please turn to page 473*)

A Fundamentally Inflationary Character Attaches to Our National Economy and Indicates Higher Prices Sooner or Later

If Present Business Gains Rest Only on Consumption Goods Activity Recovery May Again Be Subject to Interruption

How Far Can This Market Go?

By A. T. Miller

THE stock market seems to be trying its best to find a dead center of indecision and inactivity, pending the "gold clause" decision by the United States Supreme Court. The earliest that this can now be had is February 4 and accordingly that date is awaited with keen speculative interest.

Since the net decline that the market "averages" now show, in comparison with the level which prevailed just before the mystery of the gold clause was injected into the picture, is a very modest one, the only inference to be drawn is that the composite expectation is a decision favorable to the Government.

Certainly the current apathetic market can not be said to reflect any real semblance of fear, regardless of whether this is due to positive conviction regarding the gold case decision or to the general supposition that—whatever the decision—the Administration and Congress will instantly take steps to prevent any deflationary result.

It would seem a reasonable assumption that during the short month of February the stock market in all probability will give us an informed forecast of the business trend beyond the spring peak.

New Impulse Needed

We are quite willing to go along in the market's verdict. But if we assume that the decision will be in favor of the Government or that in no event will the outcome introduce a major financial disturbance, the question instantly arises: That being so, will the definite ending of this uncertainty on February 4 or thereabouts impart an important new impulse to speculation?

The answer is that realization of the expected seldom excites the stock market. If a deeper reaction had been experienced on the initial doubts regarding this particular problem, clarification of those doubts in a favorable manner would undoubtedly be followed by a sharp rally. Technical rallies, however, are usually in proportion to the immediately preceding phase of reaction. If the market is not appreciably lower on February 4 than it is at this writing, technical reversal alone could scarcely be expected to do more than lift the "averages" back up to the best price level of early January. This would mean a rally of 3 or 4 per cent in the average speculative stock.

Under the circumstances, we are inclined to think that the gold clause case should be regarded as just one of a variety of uncertainties and that some of these other uncertainties may readily replace it in the spotlight.

For all of its irregularity of group and individual price movements, the general pattern of the market since last September has been one of intermediate recovery. The highest level of this recovery was reached on January 7 and shortly thereafter there appeared a few signs of fatigue even before speculative thoughts turned seriously to the Supreme Court.

The pertinent question, therefore, is: Has the gold case uncertainty merely interrupted a solidly founded recovery phase in the general market? If that is all that the recent price movement means, then the intermediate advance should be resumed early in February.

We are frank to state that we do not see the basis for an especially optimistic attitude on this point. At any rate, so far as new speculative commitments are concerned, we believe the part of caution here is to place the burden of the proof on the market itself. Assuming that it will have some kind of a rally on the gold case decision, we would like to see just how convincing that rally turns out to be. We would also like to see what the speculative pulse and temperature are after a day or so of such rally.

The fact is that a worthwhile and sustained advance in the general run of stocks above the present level must necessarily depend upon a large measure of confidence in sustained business improvement for the year as a whole.

Business Rise Continues

The business indexes have been rising for many weeks, some very sharply. This is particularly true of automobile production, now swinging into full seasonal vigor. There have also been very brisk gains in the indexes of steel production and in electric power output. Seasonal demand from the motor industry, however, is the largest supporting factor in the present spurt of steel production to a level above 50 per cent of estimated capacity. To a lesser degree active motor production also is reflected in the advance of the electric power index.

We have no quarrel with these very real gains, but it

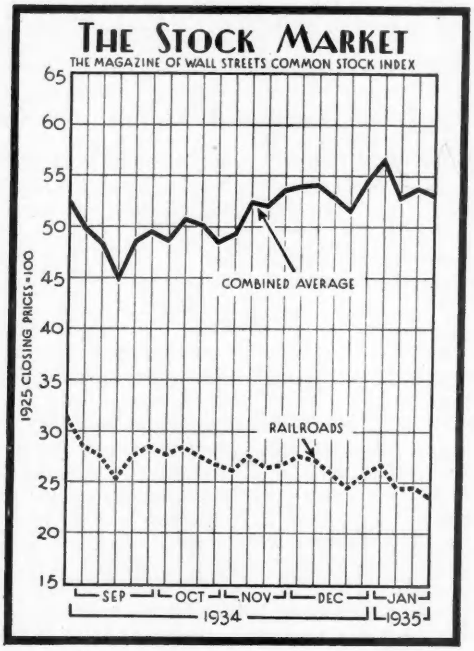
is obvious there must be limitations ahead to a business recovery so importantly dependent on one factor. We do not mean to argue that either motor production or steel operations have reached their peak. Motor production has not. Steel production probably has not. But it is worth noting that steel scrap prices, usually an excellent barometer of confidence in the steel industry, have flattened out after weeks of advance.

In short, even though we have not yet reached it and it may be weeks ahead, it is not too soon to be thinking about the spring peak in business activity. There is an excellent reason for being premature in this matter, because the stock market is usually at least two months ahead of the trend of general business activity. In 1934 the business index reached its spring peak in late April. The stock market reached it spring peak in the first week of February. Both in the stock market and in business, as it happened, the spring peak was the peak for the year.

Capital Goods Lag

Among capable business observers there is a wide variation of honest opinion regarding the character of the present business upturn. Some believe it is "the real thing" at last, that it is more solidly founded than any previous recovery phase since the inception of the New Deal and that, therefore, it will carry on, with any set-back less serious than those which followed recoveries in both 1933 and 1934.

Others contend that it is just another "consumption goods" recovery, with virtually no support from construction and very little from capital goods. Because of its very speed, they continue, it is likely that the spring peak will come earlier this year than last.



One can not speculate intelligently on guesses. Moreover, we see no necessity to do any guessing. It would seem a reasonable assumption that during the short month of February the stock market in all probability will give us an infomed forecast of the business trend *beyond* the spring peak. Meanwhile one probably will lose little and may save much by deferring speculative judgment until events provide a clearer perspective.

Need we emphasize that these short-term speculative considerations have nothing to do with investment policy? At no time since the major price cycle turned upward in March, 1933, have we recommended the sale of investment holdings of common stocks. We do not recommend it now, except insofar as the investor may find it desirable to replace individual equities with better ones—a valid policy in any market and at any time.

So far as concerns new or additional equity investments, the present price level shows few dividend returns that can be regarded as particularly attractive. We do not know that reaction in the near future will importantly change this picture. The pressure of surplus funds seeking yield may well sustain many of the more desirable issues through general market correction, as has been the case for some time. Even so, we are inclined to believe that a wait of a month or two may be desirable both in providing a better perspective on equity values and possibly in offering at least moderately more attractive buying levels in some desirable issues.

The longer outlook is just what it has been—either economic recovery or inflation. The road has had many turns and twists, but it remains the same road. Month by month—indeed, minute by minute—the United States Government is expending far more than its tax revenues. We are engaged in a huge gamble that we will beat the depression before we break the Government's credit. It may be that we are winning, although that is very hard to determine from month to month. But on the other side of the gamble there is no uncertainty whatever. Our bet gets bigger every day.

We are plodding along ceaselessly to new highs in the Government debt—a debt which in the final analysis will be disposed of in one of two ways: a business recovery which will absorb the bulk of the unemployed and yield Federal tax revenues of at least $5,000,000,000 a year; or further debasement of our monetary standard.

The Road to Inflation

Not only are we spending $4,000,000,000 a year of borrowed money for the support of the unemployed. In addition we are piling up the direct and contingent credit liabilities of the Government to heights previously undreamed of. A short while ago we were talking of the possible retirement of the chief Federal emergency credit agencies, such as the Reconstruction Finance Corporation, the Home Owners' Loan Corporation and the Farm Credit Administration.

Now it appears quite certain that these activities will be continued, that some of them will have expanded lending power behind them and that others will spread out into fields not heretofore cultivated.

For example, the Reconstruction Finance Corporation, having salvaged our weak banks and temporarily lent succor to distressed railroads, will in future pump considerable public credit into mortgage companies and other real estate lending agencies in an effort to revive this essential adjunct of construction. At the same time it will be given broad credit powers to use in facilitating both reorganization of weak railroads and the purchase of new equipment by railroads.

More "bank reform" is on the cards. In plain English, this means further domination of credit. Purpose: To make sure that no obstacle will impede Federal borrowing.

It boils down to this: No matter what the Supreme Court has to say about the size of the chips that we are playing with, the game is going to go on and the Government is going to continue to pour billions of public funds and credit into it.

That is why one can only conclude that a fundamentally inflationary character attaches to our national economy under the New Deal, and that this reality will cushion our intermittent price reactions.

Happening in Washington

By E. K. T.

If you have confidence in the Government's economists and business observers you will plan for three months of relatively good business—and they mean by that, better than last year. Beyond April some of them have confidence and some only hope.

Both confidence and hope are based on the belief that the foundation of lasting business recovery has been laid. Apparently they close their minds to any possibility of an inflation debacle. The Government is firing, in its new relief plan, its last big gun for recovery. "This is a bill to end relief," significantly says Chairman Buchanan of the House Appropriations committee, "and relief must be ended if the credit of the Government is to be preserved." Which means so far as the Government is concerned, it is now or never.

Energetic spending of the relief and recovery appropriation of $4,850,000,000 is held essential to its efficiency as a pump-priming effort. That probably means that Ickes is off the pump handle. Of the $3,300,000,000 of priming funds that were handed to him 20 months ago $1,700,000,000 have not yet left the Treasury.

The President himself will personally direct the last charge of the Old Guard of public cash on the strongholds of depression. The plan is his and he will direct it. . . . The fateful year of 1936 draws near—business must thrive.

Shrillest note of business prospect elation in government groups is sounded over remarkable gains in factory employment and payrolls in December over November, contrary to the movement shown in 12 of 15 preceding years. Notwithstanding this and ups in transportation, power, trade, steel, bank deposits, bank debits, etc., you would be well advised to be cautious. Consider that that part of gain in business activity is certainly due to government spending, and that after all the Government will probably not spend more on relief and recovery than last year, that corporate capital issues are almost non-existent, that bank loans are static, that building is at a low ebb and that something may happen in the White House, Congress or abroad to shock business at any time—that there are still 10,000,000 people out of work. Watch business news, be alert, but be careful.

The President is bent upon mollifying business, although he considers it ungrateful as well as unappreciative. He considers that he is the great salvationist of business and points to the numerous ways in which his program of avoiding the normal end of business deflation has prevented a universal collapse. But regardless of gratitude and appreciation he feels that a co-operative business psychology is indispensable as he goes into the last great fight of all against the depression.

Social insurance bill is regarded in government circles as the apical expression of the New Deal, as essentially a policy of adapting capitalism to the progressive ideas of the times, instead of being one to undermine it. It is hoped here that business will vigorously help to perpetuate itself by supporting this measure.

Reports from the inner circles of the business groups which met at White Sulphur are, however, to the effect that the reactionaries are again in control. This is unfortunate. Business must move with the times or be run over. Business is confronted more by a condition than by any particular radical theory or subversive movement.

An N R A crisis has been precipitated which may result in expediting legislation for its continuation. Crisis was brought on by suspension of minimum prices in the lumber code. With price control gone wide disdain is being evidenced for the whole code, including minimum wages, maximum hours and production control. The Code Authority has asked the N I R B to take over the administration of the code in one rebel group. Fear is expressed that dissidents will arise in other codes, with the result that the whole N R A enterprise may be shot to pieces before Congress acts.

Battle is on between advocates of a permanent N R A and those who favor another year of experimentation. Until now government opinion has favored permanent legislation, but Richberg now favors a temporary extension of N R A about as it is. The Administration is apprehensive that Congress may break away from the whole N R A idea unless teeth are promptly inserted in the present administration and new legislation rushed through before revolt in Congress grows. N R A recasting, however, must be delayed until Supreme Court passes on Belcher case, which strikes at the very foundations of such legislation.

There is an even chance that the Court will find that Congress delegated to the President power over intrastate commerce which it did not have.

Secretary Roper seems to have come home with the bacon as an outcome of the President's growing conviction that in the last analysis recovery is to come from private effort rather than from governmental spending. His slowly developing Business and Advisory Council—52 representative men of affairs—is now the designated channel through which business may approach the President in good order.

President's reputed decision not to press for any more socialistic units like T V A at this session of Congress is attributed to the influence of Roper.

Gold clause decision of the Supreme Court continues to be the big topic of conversation in Washington. Pre-

vailing opinion is that the abrogation of the clause by Congress will be upheld, but one Senator, famous as a constitutional authority, is privately predicting that the Court will render a "split" decision, upholding the clause in the Government's obligations and repudiating it in private contracts.

Such a decision would not disturb business much but would be a speculative rocket for government bonds containing the gold clause, and probably a depressant for those which do not contain it. Might interfere with Mr. Morgenthau's plans to get "governments" into the hands of individual investors.

Inflationists are worrying over the thought that at 59.06 the dollar is undervalued. Consequently, there is less clamor for a 50-cent dollar at this time, but more clamor for money of the greenback order. The other remedy would be an increase of the gold content of the dollar, but that is a bad joke to the inflationists.

Danger of strike in the automobile industries is considered slight. The habit of receiving weekly pay checks again militates against the would-be strikers. The memory of a procession of Saturdays without envelopes is still strong.

Social insurance puts a new phase on government financing. Wagner bill specifically provides that unemployment compensation and old-age pension funds must be invested either in purchased or new issues of Government bonds. Under latter authority Government can absorb the cash at any time by issuing new bonds. Actually, these funds will compel the Government to maintain a national debt. We will soon be far away from the time when Congress planned a sinking fund to discharge the whole national debt.

Government, in the future, may borrow from itself instead of from banks. Interest charges would then go to beneficiaries instead of to investors. And as taxpayers the latter would be paying the pensions. Moral: There is more than one way to distribute wealth.

Congress will pass a food and drug act with teeth in it. A A A is asking "improvement" legislation from Congress. It feels that, unlike N R A, it has its supposed beneficiaries solidly with it. Probably it will get substantially what it wants. An "ever-normal granary" is the big idea with A A A at the moment. Surplus non-perishable commodities are to be stored on the farm in bug-proof and rot-proof granaries. More loans to farmers for the building of the granaries, and more loans for carrying the commodities. Corn loans turned out to be a brilliant success last year. Farmers will soon be out of the grasp of the "money-changers."

Washington Sees—

At least three good business months ahead—and believes there will be more.

Rapid-fire spending of $4,850,000,000 relief-recovery money.

Ickes on the rollers.

President courting business favor.

Social insurance measure as defeat of radical rush.

N R A near to practical dissolution—Even chance that Supreme Court will kill it.

Secretary Roper No. 1 favorite at Roosevelt court.

Possibility of "split" decision on gold clause.

Inflationists embarrassed by strength of the dollar.

No danger of automotive strike.

Government financing itself from social funds.

Food and drug act with tearing teeth.

Another billion for government distress loans on residences.

R F C with renewed life and wider field.

Bad prospect of heavier taxation.

Another excoriation for the utilities.

Building recovery on big scale dubious.

Home Owners Loan Corporation will get another billion of mortgage authority. Why not? Already 20 per cent of the borrowers are delinquent on their amortization and interest instalments.

Reconstruction Finance Corporation is in for two more years of lending, and to almost anybody for anything. It will become permanent Government loan bank unless Federal Reserve is nationalized.

Hearing on Canadian reciprocity treaty to be held March 18, will be the scene of a bitter attack on Administration policy of whittling down protection little by little. Excise taxes on imports are in the trading pool.

Money for social insurance is first of many unbudgeted appropriations. Before Congress adjourns the balance arm of the budget scales will be sticking straight up in the air. This suggests reconsideration of predictions that taxes will not be increased.

You may expect some additional excise taxes, even if the bonus should fail—which it will not.

Administration is not disturbed by revolt of 47 Democratic members of the House on gag rule expedition of the public works-relief bill. Some revolts are welcomed, both because they let off steam and because they are sedatives to the idea that the President is an absolute dictator. They are good popular exhibits and are also a barometer of Presidential power. Real difficulties may be encountered in the Senate.

New Deal Left may get a bit of balm in the appointment (probable) of Benjamin Cohen to the vacancy in S E C. Cohen is the real zealot of the vindictiveness in the stock exchange and securities laws. At present he is happily placed as P W A associate general counsel.

Secretary Wallace's idea of an international agreement to restrict cotton production is languishing.

Other cotton-producing nations can not see the sense of sharing restriction when the United States is actually doing it all.

Persecution of the utilities is one among many reasons why revival of industrial financing will be slow. Public works is another Government invasion of the private construction field is sufficient to scare off the "privateers" and yet insufficient of itself to revive the durable goods in-

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Courtesy, Committee on Public Relations for Eastern Railroads

Meeting the Problems of Low-Cost Transportation

Interests of Competing Agencies in Air, Rail, Bus, Truck and Water Transport Can Be Reconciled by Unified Regulation

By John J. Esch

Former Chairman, Interstate Commerce Commission

THE large part which transportation plays in our economic life, and the imminence of legislation with reference thereto, make its discussion timely. The problems of today are markedly different from those confronting the country when the Transportation Act was enacted in 1920. Then the railroads had a monopoly, little, if at all, affected by competition from airways, waterways, buses and trucks. The present demands a careful consideration of the operation of these competitors in relation to the railroads.

Railroad executives must orient themselves in this new setting and get away from the prejudices, jealousies and traditions which have in the past hampered progress in the public interest. Co-operation, not isolation, is the need of the hour. It must be realized that these competitive forms of transportation are here to stay, and each is entitled to its share of the business which it can perform with the greatest efficiency and at the lowest cost under proper regulation.

Railroads now own and operate buses and trucks supplementing their rail haul. Pick-up and delivery service should be more widely extended. Through legislation railroads should be permitted to make through routes and joint rates with buses and trucks, and the latter with also water lines.

All forms of transportation should be under government regulation under one body, preferably the Interstate Commerce Commission. The Commission is not so railroad-minded that it cannot deal fairly with buses and trucks, or other modes of transportation. For years it has had jurisdiction not only of railroads but of pipe lines, express and sleeping car companies, telegraphs and telephones, and over water lines in part. The breadth of its jurisdiction and its long experience enable it to wisely administer any laws which may be enacted covering airways, waterways, buses and trucks.

As a condition precedent to the effective co-ordination of transportation competitive with that of the railroads, exhaustive relative cost studies should be made to guide the Commission in making a proper allocation of traffic among

the different forms, not that the railroad rates should be the sole standard. The Co-ordinator, Mr. Eastman, has been making such studies, but they have not yet been made public. Under such allocation each form should have its place in the sun, and each form should supplement or complement the other forms. No one should be crowded out to the unfair advantage of another. All this requires a single regulatory control as to interstate commerce. Without it there would be rivalry as between different controls leading to ultimate chaos.

By increasing pick-up and delivery service the railroads can retain and regain some of the less than carload traffic now lost to the trucks, and at the same time give to truck operators more constant employment and relieve the overburdened highways of much interurban traffic. The work so far done in this line affords a good example of co-ordination of rail and truck. With through routes and joint rates much more can be accomplished. While under the Denison Act through routes and joint rates have been established to some extent between barge lines on some inland waterways with rail lines, like authority should be granted to the trucks with the barge lines. With no regulation interstate as to buses and trucks, and more or less rigid regulation intrastate, a complicated problem is presented which prompt legislation should meet. The railroads have a right to complain that they, fully regulated, must meet the competition of unregulated competitors, and this applies as well to waterways and airways.

For years the Commission has been authorized to fix the mail pay for transportation of the mails by the railroads, and at the last session of Congress it was authorized under certain limitations to determine the cost of carrying mail by aircraft. Full jurisdiction as to these services as to the matter of rates or charges should be given to the Commission.

Subsidies and Taxation

There has always been an aversion to the granting of subsidies as aids to the establishment of transport facilities more or less affected with a public interest. Nevertheless railroads were given land grants; ships, mail contracts; inland water lines, free navigation; and as to the Federal barge lines, government investment without interest charges or taxes; air lines with lighted ways and air mail contracts; buses and trucks with free road ways. While Federal aid may be justified to initiate facilities it should be withdrawn once they have been fairly established. Subsidies granted to one facility and withheld from others of like or competitive kind work injustice. Equality of opportunity is the lawful right of each. This equality can best be achieved through proper co-ordination under a single authority.

Taxation of railroad property belongs to the states and their subsidiary units. Congress under the present set-up cannot interfere. Each state has its own basis and method and these are various and disclose wide discrepancies. Under government ownership there would be no taxation by the states. The taxes now received by the states would have to be otherwise contributed. A problem for present solution is a just apportionment of taxes to other and competitive forms of transportation. The Co-ordinator's studies along these lines will doubtless throw light on the subject. They may indicate the extent to which these other forms through subsidies are enjoying advantages denied to the railroads.

Underwood Photo

John J. Esch

The taxpayers, that is, the public, are entitled to efficient transportation at the lowest reasonable costs, all conditions fairly considered, and have the right to select the form best suited to their needs.

The railroads, as well as the other forms of transportation, under the constitution are entitled to a fair return on the value of their property devoted to the public use. This return must come from their rates, fares and charges, and these must be just and reasonable and non-discriminatory, and so declared by the Commission after hearing.

The railroads do not receive subsidies but must pay their own way, to the extent that the other forms are subsidized, to that extent the taxpayers are burdened. While they may have been content to stand the initial cost, they have the right to ask that they be relieved of further burden as speedily as possible.

While the railroads are now regulated in almost every respect their competitors are in most particulars not regulated at all. There is need for equalization of regulation to the end that the respective burdens might be equalized. This is the duty of Congress.

Adjusted Freight Rates

The life blood of the railroads is the revenue derived from freight rates. To run full and strong there must be sufficient traffic. Due to the depression and increased competition this blood stream has become so weakened that some 42,000 miles of road are now in receivership. While the movement of consumers' goods has been on the increase there can be no needed increase in revenue without a marked increase in the capital goods industries. The efforts now being made by the Administration are expected to create such increase. A prominent authority has stated that a 20 per cent increase in traffic over last year would put practically all Class I railroads in the black this year. The increased wages to be paid this year and increased costs of materials and supplies resulting from N R A codes and the possible adoption of pensions will require increased revenues.

If there be no appreciable growth in the capital goods traffic can the railroads meet their problem by increasing freight rates? There is now pending before the Commission ex parte 115, being an application of Class I carriers to raise rates on numerous commodities an average of 7.6 per cent. The shippers, almost without exception, have objected to the increase on the grounds principally that (a) existing relationships would be disrupted (b) In times of depression increases should not be made and are not warranted (c) Increases would drive traffic to other forms of transportation.

It would not be appropriate to express an opinion as to what the Commission should do in a proceeding now pending before it. However, some general observations may be pertinent. The amount or level of freight and passenger rates are subjects of constant study by the railroad traffic experts and they determine, subject to review by the Commission, "What the traffic will bear." Naturally, by their action, they seek to retain or increase the volume of traffic of their respective roads and oftentimes fail to take that broader view which looks at the

same time to the interests of the shipping and traveling public. It is here where the services of the Commission come in play.

The fixing of the rates and charges in these days of intensive competition is one of fine judgment based upon a mastery of all the relevant facts. If fixed too high there may result a loss of traffic, if fixed too low a loss of revenue.

The Commission as the final arbiter seeks to adjust rates and levels so as to permit traffic to freely move, realizing that if made too high traffic will be restrained and if too low the carriers' revenues will suffer.

In the present situation with a net operating receipts deficit for 1934 of over $153,000,000 and with borrowings of millions of dollars from the R F C and P W A for payment of interest, taxes, equipment and other needs, this does not seem to be an opportune time to *decrease* freight rates generally, although as to passenger rates marked reduction in the South and West, together with the elimination of the Pullman surcharge have increased traffic and also to some extent, revenue. It may be that as to some commodities, similar results might be obtained.

The hope of any general reduction in freight rates is dependent upon a general increase in business throughout the country.

Consolidations

The problem of the consolidation of all the railroads of the United States is still with us. By the Transportation Act of 1920 consolidation into a limited number of systems was provided for under the belief that economies might thereby be effected and the problem of the weak lines be solved. The consolidations were to be made voluntarily. Due to the provisions of this Act, since amended, no consolidations could be made until all the constituent parts had been valued as to their physical properties by the Commission. Delay in making such valuations has delayed consolidations. However, under other sections of this Act railroads could acquire control of other railroads by lease, purchase of stock and otherwise, and many thousands of miles of road have thus been acquired by the larger lines. The Commission has published a plan of consolidation to which applicants must conform.

Courtesy, White Motor Co.

During this depression little if any progress along lines covered by the plan have been made; due in part to the fact that consolidations involve large expenditures and the carriers lacked funds. Consolidation of repair shops, ticket offices, soliciting agencies, joint use of terminals, reductions in wasteful mileage and overhead expenses are urged in support of consolidation, not to say anything about the greatly lessened number of corporations with which the Commission would have to deal.

It would appear that railroads should not be compelled to consolidate but that better results would result if they, subject to the control of the Commission, were allowed to select their constituent parts. With the return of normal business, the work of consolidation should be speeded up. As the railroads, as stated by the Commission, "are the backbone and many of the other bones of our transportation system," it is essential that the fewer systems be co-ordinated into a harmonious and efficiently working whole.

Co-ordinator Eastman has stated in effect that logically government ownership would ultimately be the solution of our railroad problem. He did not believe that, due to the great expenditures involved, this was an opportune time to launch the movement.

There is no need of government ownership now, or in the near future. With the return of normal conditions increase in traffic and resultant revenue will again make need for all rolling stock and motive power to transport our people and our industrial and agricultural products.

Present Debt Problem

There need be no alarm because of the debts due the Government for loans. These are now far less than the billion dollars owed by the railroads for loans under Federal Control and under Section 210 of the Transportation Act, 1920. These have all been repaid except some $38,000,000 and the interest paid on the loans at 6 per cent far exceeds this amount. So the Government really will make money out of these transactions. Moreover, much of the money loaned to the railroads by the R F C with rates of interest lower than 6 per cent has been repaid. Interest charges made on loans by P W A have been even more favorable. Under these circumstances there ought to be no excuse for Government ownership because of the present indebtedness. Even a moderate increase in traffic would enable the borrowing roads to meet their obligations without any difficulty.

The above is predicated upon the proposition that there be no burdensome legislation either state or Federal in the near future. The imposition of a 6-hour day would require an increased expenditure estimated by the Co-ordinator at $400,000,000 per annum. In their present depleted financial condition the railroads could not stand this added burden. Receiverships would be multiplied, and the threat of government ownership would be increased. Everyone desires to see better wages and working conditions, but railroad labor, thoroughly organized as it is, should bear in mind that, compared with the wages paid in other and even competitive industries, its wages should not be kept or advanced out of line.

Space does not permit a discussion of the many arguments for and against Government ownership. It may be urged, however, that with a million added to the civil list, even though such list be protected by the mantle of the civil service, there would still remain numerous openings for

(*Please turn to page* 469)

What the Insiders Hold

Extent of Ownership Among Directors and Company Officials of Interest to Investors

UNDER Section 16 of the Securities Exchange Act of 1934, officers, directors, and beneficial owners of more than 10% of any class of equity security, are obliged to report their holdings to the S E C. While this provision might seem at first sight an unwarranted intrusion into the private affairs of another, it is only fair that the small stockholder should know what stake in the business is possessed by those who are running it, and who it is that has any large interest. Moreover, these periodic reports are designed to prevent "insiders" from making use of their knowledge—and in this they will be at least partially successful—without a hint being given to the average stockholder. Below we give an incomplete list of the stockholdings that have been made public so far. Interesting in itself now, it will be more interesting a month or two hence when it is possible to check buying and selling activities on the part of company officials with actual market performance. Just to hazard a guess, it is our opinion that time will prove so-called insiders wrong as many times as they are right.

AMERICAN CAN		
H. W. Phelps, Pres.	1 pref.	Jan. 9
Arthur O. Choate, Dir.	600 com.	Jan. 2
AMERICAN RADIATOR		
Charles H. Hodges, Vice Pres.	21,095 com.	Jan. 5
Theodore Ahrens, Dir.	41.133 com.	Jan. 5
	1,750 pref.	Jan. 5
W. C. McKinney, Dir.	18,600 com.	Dec. 10
	827 pref.	Dec. 10
Edward L. Dawes, Dir.	127,844 com.	Dec. 10
AMERICAN STORES		
Samuel Robinson, Pres. and Dir.	78,805 com.	Jan. 7
William Gould, Asst. Treas.	460 com.	Dec. 8
William Park, Dir.	16,880 com.	Jan. 7
James K. Robinson, Vice Pres.	21,089 com.	Jan. 7
ARCHER-DANIELS-MIDLAND		
Whitney H. Eastman, Dir.	4,525 com.	Dec. 31
Walter L. Dedon, Treas.	600 com.	Dec. 31
BURROUGHS ADDING MACHINE		
L. A. Farquhar, Treas.	797 com.	Dec. 31
COLGATE-PALMOLIVE-PEET		
Charles S. Pearce, Chair.	62,438 com.	Jan. 8
William B. Johnson, Dir.	32,284 com.	Jan. 7
Margaret J. Massee, Dir.	10,120 com.	Dec. 10
	48 pref.	Dec. 10
Elinore Johnson, Dir.	72,621 com.	Nov. 10
Albert W. Peet, Hon. Chair.	3,039 com.	Dec. 1
	38 pref.	Dec. 1
COMMERCIAL SOLVENTS		
George M. Moffett, Dir.	13,230 com.	Dec. 31
Henry E. Perry, Vice Pres.	390 com.	Jan. 4
Thomas F. Carty, Treas.	150 com.	Jan. 7
CONTINENTAL CAN		
O. C. Huffman, Pres.	17,525 com.	Jan. 8
Thomas G. Cranwell, Dir.	22,316 com.	Nov. 10
Arthur Lehman, Dir.	4,850 com.	Nov. 10
Matthew C. Brush, Dir.	300 com.	Nov. 10
J. B. Jeffress, Jr., Treas.	2,466 com.	Nov. 10
I. W. England, Vice Pres. and Dir.	982½ com.	Nov. 10
Frederick A. Prahl, Vice Pres. and Dir.	600 com.	Nov. 10
S. J. Steele, Vice Pres. and Dir	1,593 com.	Nov. 10
C. C. Conway, Chair.	22,125 com.	Nov. 10
J. F. Hartlieb, Vice Pres.	4,100 com.	Nov. 10
R. H. Alexander, Asst. Sec. and Asst. Tr.	579 com.	Nov. 10
John S. Snelham, Cont.	300 com.	Nov. 10
CONTINENTAL OIL		
Ernest J. Nickols, Vice Pres.	3,600 com.	Oct. 31
CORN PRODUCTS REFINING		
George M. Moffett, Pres.	67,225 com.	Nov. 1
	500 pref.	Nov. 1
DU PONT DE NEMOURS		
Eugene du Pont, Dir.	71,124 com.	Jan. 8
	3,000 deb.	Jan. 8
William P. Allen, Dir.	2,200 com.	Jan. 9
W. S. Carpenter, Vice Pres.	21,850 com.	Jan. 9
James B. D. Edge, Vice Pres. and Dir.	100 com.	Jan. 7
Charles Copeland, Sec. and Dir.	60,000 com.	Jan. 4
	1,320 deb.	Jan. 4
Irenee du Pont, Vice Chair.	37,000 com.	Jan. 3
	21 deb.	Jan. 3
C. R. Mudge, Dir.	9,700 com.	Dec. 31
Pierre S. du Pont, Dir. and Chair	33,352 com.	Dec. 31
	16,400 deb.	Dec. 31
GENERAL MILLS		
James F. Bell, Chair.	20,314 com.	Jan. 8
	6,710 pref.	Jan. 8
Frank Kell, Dir.	5,333 com.	Dec. 6
John Crosby, Dir.	7,168 com.	Dec. 1
	3,904 pref.	Dec. 1
GILLETTE SAFETY RAZOR		
Henry J. Gaisman, Dir.	36,600 cv. pref.	Jan. 2
HERCULES POWDER		
James T. Skelly, Vice Pres. and Dir.	17,000 com.	Jan. 8
Norman P. Rood, Vice Pres. and Dir.	5,080 com.	Dec. 31
INTERNATIONAL BUSINESS MACHINES		
Samuel M. Hastings, Dir.	1,020 com.	Dec. 31
Frederick W. Nichol	2,940 com.	Jan. 9
Edward Cornell, Dir.	6,502 com.	Dec. 3
Oscar L. Gubelman, Dir.	513 com.	Jan. 9
Sherman M. Fairchild, Dir.	5,700 com.	Jan. 8
Otto E. Brattmayer, Vice Pres. and Dir.	2,652 com.	Jan. 4
A. Ward Ford, Dir.	14,890 com.	Jan. 6
Charles Smith, Dir.	1,900 com.	Jan. 7
James C. Milner, Asst. Cont.	204 com.	Jan. 8
William F. Battin, Treas.	3,053 com.	Jan. 7
Drury W. Cooper, Dir.	1,479 com.	Jan. 5
Erskine Hewitt, Dir.	18,105 com.	Jan. 5
Frederick C. Elstob, Cont.	204 com.	Jan. 5
John G. Phillips, Sec.	816 com.	Jan. 4
Christopher D. Smithers, Dir.	12,044 8/50 com.	Dec. 31
KELVINATOR		
William R. Crosett, Cont.	1,000 com.	Jan. 2
George W. Mason, Pres. and Dir.	17,189 com.	Jan. 2
Gordon M. Evans, Vice Pres.	200 com.	Jan. 2
Henry W. Burritt, Vice Pres.	1 com.	Jan. 2
Percy T. Ebbott, Officer	100 com.	Jan. 2
Harold G. Perkins, Vice Pres.	2,200 com.	Jan. 2
S. S. KRESGE		
S. S. Kresge, Chair.	1,285,984 com.	Jan. 2
R. R. Williams, Vice Pres.	46,563 com.	Oct. 12
Charles B. Van Dusen, Pres.	64,102 com.	Oct. 12
C. B. Tu[illegible]le, Treas.-Dir.	70,000 com.	Oct. 12
Howard C. Baldwin, Dir.	6,900 com.	Oct. 12
J. G. Coffin, Cont.	232 com.	Oct. 12
F. R. Westman, Dir.	2,300 com.	Oct. 12
P. T. Evans, Vice Pres.	600 com.	Oct. 12
	20,000 prt. ctfs.	Oct. 12
Howard H. Servis, Vice Pres.	16,100 com.	Oct. 12
R. A. Bell, Sec.-Dir.	100 com.	Oct. 12
C. E. Holzworth, Dir.	100 com.	Oct. 12
KROGER GROCERY & BAKING		
Clarence O. Sherrill, Officer	2,340 com.	Jan. 7
P. LCRILLARD		
Alva H. Shinkle, Dir.	610 com.	Jan. 4
Carl J. Bush, Vice Pres. and Dir.	200 com.	Dec. 6
	35 pref.	Dec. 6
R. H. MACY		
Jack Isidor Straus, Vice Pres.	17,064 com.	Nov. 30
NATIONAL BISCUIT		
Howard M. Hanna, Dir.	2,100 com.	Jan. 2
NATIONAL STEEL		
Charles M. Thorp, Dir.	14,800 com.	Jan. 8
E. W. Mudge, Vice Pres. and Asst. Tr.	15,760 com.	Dec. 31
NORTHERN PACIFIC RAILWAY		
Howard E. Stevens, Vice Pres.	500 com.	Dec. 31
J. C. PENNEY		
L. W. Hyre, Dir.	47,303 com.	Jan. 4
	4,174 pref.	Jan. 4
FRANK G. SHATTUCK		
William E. Schrafft, Asst. Tr. and Dir.	52,906 com.	Jan. 16
Leon O. Dunckles, Treas.	775 com.	Jan. 8
Frank J. Farley, Asst. Treas.	115 com.	Jan. 9
SKELLY OIL		
W. G. Skelly, Pres. and Dir.	32,792 com.	Jan. 3
	200 pref.	Jan. 8
Francis T. Hopp, Sec.-Treas. and Dir.	3,588 com.	Jan. 8
Treasury	91,250 com.	Sep. 30
	51,400 pref.	Sep. 30
SOUTH PORTO RICO SUGAR REFINING		
George M. Moffett, Dir.	25,959 com.	Dec. 31
	1,225 pref.	Dec. 31
Edward S. Paine, Sec. and Dir.	10 com.	Dec. 17
Horace Havemeyer, Dir.	29,584 com.	Dec. 10
	1,886 pref.	Dec. 10

(Please turn to page 474)

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

France, Sufficient Unto the Day...

With the wheat and wine projects of Prime Minister Flandin legislated with doubtful effectiveness, the new government finds itself at the end of its tether. Dismissing the theoretical aims of the late Mr. Doumergue toward constitutional reform, it swerved with drastic suddenness to grapple with the problem of internal credit. The defects of a purely passive policy of deflation had become glaringly apparent. Efforts at retrenchment of preceding governments failed to keep pace with declining revenues, hence the repeated necessity to resort to the capital market for budget requirements. These successive operations impaired the nation's credit, drove up the cost of borrowing in spite of the fact that the French per capita gold reserve is the highest of the world.

The plan adopted by Flandin is identical with the program proposed to the Bank of France by Montagu Norman in 1932. It consists in increasing the floating debt through the issuance of short-term notes, thus multiplying credits, reducing interest rates and augmenting the volume of deposits; in short, a program of "gold inflation" without altering the value of the franc. Flandin, with his finger on the public pulse, realizes the danger of tampering with the currency at this particular stage. New treasury bills to be discounted at the Bank of France are expected to cover the estimated deficit of ten billion francs without long-term financing before the end of the fiscal year.

This move to liquify credits violated the classic principles of old-timer Moret, who was ousted as Governor of the Bank of France; replaced by M. Tannery and a group of younger minds, orthodox but adventurous in banking policy. A more far reaching purpose of the new financing is to whip up flagging industrial activity with cheaper money and to brake down the population's propensity to hoard.

The move, excellent in its conception, may lose much of its value because of delayed application.

First, the Bank of France is in no position to take monetary initiative on the international stage; the Bank of England is now in no mood to collaborate with its colleague across the Channel on a program of controlled inflation. Thus, since sterling follows the dollar like a shadow, Flandin's efforts to reduce prices to levels prevailing in countries of depreciated currencies are not expected to succeed.

Second, even though the capital market is liquified for industrial and commercial use, production costs in France are so rigid that the single factor of cheap credit cannot in itself contribute materially to the recovery of business activity.

These unassailable facts lead to one conclusion, that while the Government's current policy of financial adjustment may be sufficient unto the day, the evil thereof lies in more difficult adjustments to follow.

* * *

Great Britain

While all still appears reasonably serene on the surface of trade and industry, there is a growing fear that the British recovery which was the envy of the rest of the world has begun to slow down—moreover, that the slowing down is no mere interruption of an upward trend, but that it represents the definite termination of an economic cycle. Many thoughtful Englishmen hold the view that Britain's recovery was largely artificial, ephemerally stimulated by the abandonment of gold and the erection of the protective tariff. Logically, those of this opinion go on to say that it is only by recovery in world trade that England can expect any further progress. They point to recent official reports showing that conditions in the "depressed areas" can be attributed largely to the falling off in international trade as confirming the validity of their point of view.

Yet, curiously those that lay such store by a revival in foreign trade oppose stabilization of the pound at this time —something which is often said to be the *sine qua non* of a revival in foreign trade. Of the two schools of thought—those who contend that revival in international trade must precede stabilization, and those who contend that monetary stabilization is necessary to the revival in foreign trade—one is probably as correct as the other, for with trade acting and reacting on money and money acting and reacting on trade, who shall say which is cause and which effect?

Logically, therefore, there is a third school of thought, to which the British Government itself appears to adhere. It is the "compromise" attitude—that the stabilization of world currencies is important, but that it is equally important that they should be stabilized at a point that can be maintained. This point, they say, cannot be even approximately known until world trade is less subject to quotas, tariffs and bi-lateral agreements, the result of an excessive nationalism. It is the position of this school that to agree to stabilize the pound at the old parity of $4.86 would be highly dangerous, lest trade conditions make it impossible to maintain such a rate. On the other hand, it is very much to be doubted that the United States, even though it were willing to consider stabilization at all, would agree to a lower rate. Hence, the present deadlock which, talk to the contrary, seems likely to continue.

Reports of the big London banks that are now being made public stress the difficulty of making any money for their stockholders. They deplore the scarcity of bills and

the plethora of money seeking investment, a combination which has driven the best securities to record high levels and short-term interest rates almost to record low levels. This is a situation that has many parallels in New York and it is hard to avoid the conclusion that such dammed up capital must sooner or later burst its bounds and cause a speculative boom in one direction or another.

Recent fears, however, about the gold clause controversy in the United States and the misleading rumor concerning a possible drop of the gold price in New York created a short-lived stir in the London money market. According to reports from London, large quantities of hoarded gold were released, while speculators hastened to cover their short dollar accounts. The latter coupled with a spot demand for commercial needs drove the dollar rate up above the gold point, and shipments from Europe have been resumed, although European bankers are on the *qui vive* since the gold market will offer tempting possibilities of profit for those promptly informed of near-term developments.

* * *

Africa, the Colonial Front

Behind the Laval-Mussolini pact, conducted in a Latin "spirit of joviality and wit" remain multiple points of friction on the African colonial front. The question of the status of Italians in Tunis was delicately decided to the temporary satisfaction of all parties. Not so, however, for the Emperor of Ethiopia and the Conquering Lion of Judah, two dusky potentates wedged in among British, Italian and French imperialism, a Japanese commercial offensive, and a persistent Nazi cultural penetration.

Since 1919, Italian diplomacy has claimed permission to construct a railway across Abyssinia and by correcting frontiers, to eventually acquire an Italian corridor connecting the Mediterranean and the Indian Ocean. With power in North Africa balancing so precariously, America arms and aircraft manufacturers magnanimously sought to protect the peace of Abyssinia by offering their wares. With equally unselfish motives, Barthou's North African policy maneuvered to persuade French railway and postal concessionaries to let the Italians in on a limited share of the spoils, as a check to German and Japanese encroachments. This agreement was based on the assumption of a British "hands off" policy, solely tried by French support of Japanese naval treaty denunciation.

Wide World Photo

Pierre Flandin

Since the underlying effectiveness of the Franco-Italian rapprochement is contingent on Hitler's acceptance of the Austrian integrity pact, its African background is expected to revive the prickly question of the return of former German colonies. Private opinion in Berlin considers that it is a likely opening to bolster up Nazi prestige, which is waning.

The Saar problem, while settled superficially, is not without further repercussions. Not only will the French doctrine of security entail insistence on treaty requests concerning German military activity in the Saar, but French vested interests will insist on as large a share of the Saar's loot as is consistent with political expediency. Thus France, not only pulling the political strings in Europe, will likewise attempt to restrain Italian colonial imperialism in North Africa by a financial deal in the form of a anticipated loan to the bankrupt Bank of Italy.

* * *

Germany—A House Divided

Despite the rigid censorship which has enshrouded Germany in a cloud of mystery during the past month, reports of a highly sensational nature have leaked through. The lowering of real wages to a level which has caused seething discontent among the middle and working classes has produced serious repercussions. A further cut in wages might be achieved with the assistance of armed forces, but with the danger of igniting a revolutionary bombshell.

The effective commander of the Reichswehr, General von Fritsch, and Dr. Schacht are grappling with the political situation in a truly realistic spirit. Von Fritsch has practically disarmed the Hitler Storm Troops and is now dealing a decisive blow to the Storm Guards. Thus big business and the Army High Command soon will be forced to assume complete control of the machinery of government still partially in the hands of the Hitler party. The demagogic ideology of Naziism must be replaced by some other doctrine of emotional appeal, evolved to satisfy current demand.

The new ideology, patterned closely after the scheme of pre-Hitler Chancellor Schleicher, consists in instituting a new line of controlled trade unions, after liquidating the labor front with its notorious Nazi labor organizations. The new masters are under no illusion concerning the present chaotic conditions in the working class. A return to the democratic era of free trade unions could not be re-established with security. The illusion of freedom, more important than freedom itself, must be created to discipline industrial activity.

* * *

Austria—Von Papen Fails in Vienna

Judging from the strong arm methods employed by Hitler's vote-getters in the Saar, there is every reason to suppose that a frontal propaganda attack on Austria will now be renewed. It is learned from reliable sources in Vienna that the importation of explosives from Germany has again commenced and that in the opinion of the Austrian Government, the country's sovereignity is in peril as long as the National-Socialist Government in Germany remains in power. The mission of Von Papen surrounded with mistrust has utterly failed to stimulate the cordiality intended.

Since the assassination of Dr. Dollfuss, despite contrary reports, political unity within the country has been preserved, and while public opinion favors a regression to more democratic institutions, confidence in the integrity and ability of Chancellor Schushnig has steadily increased. Economic conditions, although not brilliant, have appreciably improved: the unfavorable trade balance reduced, unemployment diminished, tax receipts increased, financial tension relieved by conversion of the 1923 League Loan. Although current government expenditures exceed receipts, service on foreign obligations has been met. The government is expected shortly to resort to short-term credit operations, or negotiation of an external loan—estimated requirements 100 million schillings.

Attack on Utilities Hits Public in Both Pockets

Direct Losses to Individuals — Indirect Losses Through Fiduciary Holders

Stock Holders in Leading Companies Show Large Trustee Ownership

By FRANCIS C. FULLERTON

THE political position of the public utility industry is getting worse faster than its economic position is getting better, which explains why utility common and preferred stocks remain very close to their bear market lows.

The attack, mapped out in New Deal Headquarters, Washington, D. C., has now assumed the clear proportions of a major offensive along all fronts. Bowing belatedly to the inevitable, some utility leaders are displaying the white flag and suggesting peace.

One would have to be an optimist, indeed, to believe it likely that peace can be negotiated on any terms at all. The politicians have a vested interest in the "utility issue" as a continuing and endless source of votes. To make peace would end the issue. Q. E. D.

No, the battle will continue. There will be further reports of utility abuses from the Federal Trade Commission to give the campaign justification in the public eye—if that be needed, which it isn't. It is a safe bet that the warfare will before long extend to the gas utilities, heretofore relatively immune chiefly because the attackers simply have not got around to them.

It may be that the domestic consumer of power, now spending an average of 9 cents a day for electricity, is going to be saved a few cents a day or *appear* to derive such a benefit—while much more vital costs of living, including taxes, go merrily on up.

But what of the cost? There are many elements of cost, some beyond conjecture. There is the cost of public development of power facilities, already running into the hundreds of millions and certain to increase. There is the probable cost of inefficient public operation, subsidized in the long run by the taxpayer—and any deviation from this ancient political habit would be a new deal, indeed! There is the cost of a virtually complete stoppage of expansion and capital investment by the private utilities, whose spending for capital goods formerly was one of the strong supports for our now depressed heavy industries.

But the cost that hundreds of thousands of investors are thinking about is the shrinkage in market values of public utility securities, which already totals literally billions of dollars and is quite certain to be much more if the present attack continues. There is no reason whatever to believe that it will not continue and that it will not bite harder with the double pincers of slashed rates and raised taxation—taxation clearly punitive in motive and amount.

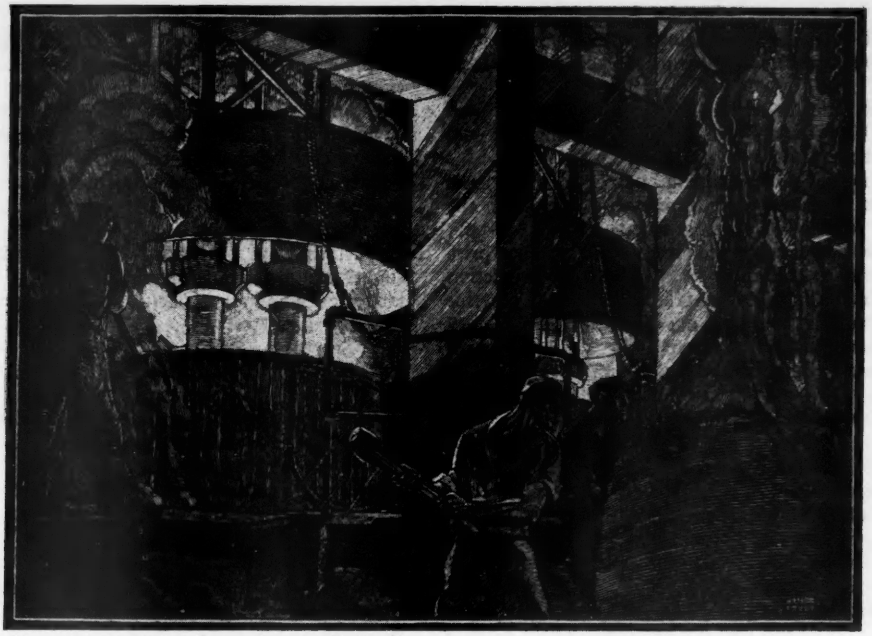
In regard to this aspect of the matter the Roosevelt Administration has apparently thought it necessary to attempt to offer some "reassurance" to the public by stating, first, that the utility investment of the savings banks and insurance companies is almost entirely in underlying bonds of the operating utilities and that 98 per cent of these bonds are as good as a Government bond; and, second, emphasizing that the political drive is against the holding companies and not sound operating companies.

There are several things the matter with such "reassurance". First, a blanket attack on "holding companies" is about as absurd as a blanket denunciation of bankers, or lawyers, or doctors or politicians. There are all varieties of utility holding companies. Some are pyramids of financial exploitation; but more have a valid economic and engineering reason for existence—that reason being simply that they can give better and cheaper service than can individual, local operating companies. The Insull pyramid was an example of the first kind. The sound American Gas & Electric holding company is an example of the second kind. They are no more alike than black is like white.

(*Please turn to page 470*)

Approximate composite stock holdings of fiduciary character in Consolidated Gas of New York, American Gas & Electric, United Gas Improvement, Public Service of New Jersey, Consolidated Gas of Baltimore and Commonwealth Edison.

Class of Holder	Number of Shares Preferred	Number of Shares Common
Insurance Companies	638,920	1,056,380
Educational Organizations	57,305	106,836
Charitable Organizations	28,035	76,280
Religious Organizations	10,190	46,388
Trustees	442,520	3,805,400
Guardians	4,565	36,889
Fraternal Organizations	3,453	14,183
Total	1,184,988	4,142,356
Per Cent Total Outstanding	25%	9%



From panel by Arthur Covey, Courtesy, Norton Co.

How Many Jobs Can Business Make?

Upturn in Consumers' Durable Goods May Lead to More Activity in Capital Durable Goods — Importance of New Financing Debunked

By John D. C. Weldon

BORN and reared out of man's instinct for personal profit, capitalism in the United States today finds itself forced—in self-defense—to become "social-minded." Majority public opinion and governmental authority increasingly hold that its primary obligation is to provide employment and a decent standard of living for the masses.

It may or may not prove able to meet this obligation. If and as it succeeds in meeting it, it probably will find the obligation increasing. In any event one will miss the point these days in discussing the business prospect in terms of production, distribution, trade. The vital index is human employment. It is the gravest of national problems. Upon it, in the final analysis, depends the national credit and social order.

There are differences of opinion as to the precise number of individuals out of work. Estimates range from 8,000,000 to 13,000,000. But on one thing there can be no difference of opinion: namely, that, whatever the exact number, these people must have private employment or must be publicly supported.

As long as they are publicly supported they will constitute a burden on the national economy, a drag on production, a grave threat to the Federal credit. If privately employed, they would constitute no burden at all, but a positive increment to the national economy.

The principle that the Federal Government's duty is to provide for these unfortunates—a new principle in this country—was accepted by the Roosevelt Administration from its inception. The present relief policy is merely a refinement and adjustment of method. As outlined for the 1936 fiscal year, beginning July 1, it will seek to provide useful work for 3,500,000 employable persons now on the Federal relief rolls, with 1,500,000 "unemployables" to be returned to local responsibility. It is hoped that each work relief job provided will create one private job and so effect

employment of 7,000,000, reducing unemployment to a level supportable, as formerly, by private charity or local government.

This type of relief is expensive. As projected, it will cost $4,000,000,000 for a single year. Borrowing this sum will place the Federal debt at a new all-time high.

Now this is not a "pump-priming" operation in its basic conception. It is merely Mr. Roosevelt's choice of the proper manner for the Government to take care of the bulk of the able-bodied unemployed until private enterprise revives sufficiently to take them on. There is no prediction from the President that the next fiscal year will see this happy consummation. If it does not—and in all probability it *will* not—there will most certainly be further Federal relief and further Federal borrowing.

Private Recovery vs. Federal Credit

In effect, the President has served the following notice on business and the country:

"Regardless of continuing deficits, we are going to provide for these millions—at better than a mere subsistence level—until industry and trade are ready to take this burden off the Government's shoulders."

The implications of this policy are enormous. The sober truth is that already we are actually in a race between private recovery and the Federal credit. It will not be won or lost in a year, but nevertheless the limit is inexorably approaching. Meanwhile, the national debt piles up. Meanwhile, the popular demand for more and bigger Federal spending grows by leaps and bounds. Meanwhile, the Administration hopefully gives lip service to the "profit system" which alone can carry the New Deal freight—but does very little to remove those obstacles or adjust those kinks which are preventing our economic machine from producing the recovery so ardently desired. This is a mere statement of fact—not of criticism. It is well to concede to ourselves frankly that some of the biggest kinks in this complicated mechanism can not be ironed out by government in a political democracy.

At a time when we are literally deluged with panaceas and confidently proposed solutions, this article will not add another to the list. The trouble with our doctors is that they do not know what is the matter with us. Let us see if we can not examine objectively the major aspects of this national problem. Let us do a little thinking out loud, in as practical a vein as possible.

To begin with, millions are out of work. Well, when an individual goes to an employment agency looking for work, the first question asked him is: "What do you do? What was your last job?" Yet we are trying to solve the employment problem for 8,000,000 to 10,0000,000 people without having any accurate statistics about them, their qualifications, their previous jobs.

Economists, business men and others have flooded us with generalizations about these people and the jobs they used to have and the avenues of employment open to them. We are told that their unemployment is due in major degree to the continuing great deficiency in the production of durable goods, as distinguished from consumption goods. This generalization is true, but it is neither helpful nor sufficiently specific.

New Financing Essential?

We are told a great variety of things that must be done to revive production in durable goods. Above all, it is held, recovery here requires the restoration of security flotations by means of which savings flowing into long-term investment will provide the funds for plant modernization, new and better machines and all forms of capital expansion. To have this active financing, the argument continues, business men must be willing to make long-term commitments and investors and capitalists must be willing to make long-term investments. Therefore, confidence is the great requirement—confidence in the integrity of the dollar, confidence in the perpetuity of the social, political and economic traditions of the past, confidence in the outlook for profits.

Various ways of restoring this "confidence" have been suggested: Balance the Federal budget. Stabilize the dollar for once and all. Clarify the "labor problem." Change the Securities Act.

Balanced Private Economy

We have done a great deal of loose thinking, and on nothing more so than on the matter of a balanced budget. When you stop to think about it, no nation's budget can be securely balanced unless its private economy is in reasonably satisfactory balance. The example of Great Britain is often cited. Balanced budget. Heroic taxation. Now, after all, the British private economy is the source of those taxes; and of all great nations Britain's private economy is probably the best balanced. Her economy is predominantly industrial, while ours is both agrarian and industrial. We are plagued with price and wage disparities which sorely impede the internal exchange of goods and services. This problem does not exist in Britain to anywhere near similar proportions.

To be sure, we could temporarily balance our budget by heavy taxation, but in so doing we would almost certainly further unbalance our private economy, with the result of diminishing returns both in public and private revenues.

All of which boils down to the obvious reality that a recovery of economic activity to normal requires adjustment of the component parts of our private economy into reasonably equitable price relationships—using the word price in its broadest sense. Partial adjustments have been made, largely due to depression's pressure upon disparities and economic inequalities; and it is in all probability due chiefly to this automatic partial adjustment of our economic organization along all its manifold fronts—rather than to political intervention—that we have experienced partial recovery.

What is a balanced private economy? Did we have one in the prosperous years, 1922-1929? Is capital expansion the nub of the matter? With over-indebtedness hanging heavy on our heads, can we only prosper by running up more debts via the route of long-term corporate borrowing in the investment market?

The last question is particularly interesting, because time and time again we are reminded of the vast financing of the boom years, compared to which today's financing is a drop in the bucket. This writer does not profess to know whether such financing was the chief cause of the prosperity of the heavy industries in the boom years, but *if* it was their prospect today is bleak, indeed!

New Corporate Issues Overemphasized

Let us look at the record. We have read that corporate "financing" in 1929 exceeded $10,000,000,000, against less than $500,000,000 for 1934. Both figures are ballooned by the inclusion of refunding issues, which raise no new capital at all and hence are unrelated to capital expansion.

Corporate new capital issues in 1929 totalled $8,639,000,000. Of this bonds made up only approximately $2,500,000,000, while stocks made up $6,088,000,000. Now when most economists talk of savings flowing into long-term

capital investment they are thinking of bonds. Any new stock issue is a speculation. We were speculating in 1929. It is exceedingly unlikely that the present generation will live to see a duplication of 1929's demand for new issues of common stocks.

Moreover, when we break down the total financing of the year, we find that investment trust financing accounted for $2,222,000,000; public utilities for $1,931,000,000; railroads for $546,000,000; real estate securities for $520,000,000 and the oil industry for $270,000,000—total $5,489,000,000 or 63 per cent!

Of course, 1929 was abnormal. So the writer has examined the record for each year back to 1919. What stands out is that by far the major proportion of total financing over this long period was either speculative on the one hand, or on the other hand was in behalf of industries which today do not need financing, do not wish to finance or are not in a sufficiently favorable position to arrange financing on satisfactory terms. Here we have considerations entirely apart from "confidence", from the budget, from dollar stabilization, from the Securities Act.

Since the so-called normal years 1923-1925 are the comparable period used in most of our statistical calculations, let us have a look at financing over that three-year period. The average was $3,375,000,000 a year, made up of $2,477,000,000 bonds or notes and $898,000,000 in stocks. The average for public utilities was $1,236,000,000; rails, $541,000,000; iron, steel, coal, copper, etc., $207,000,000; motors and accessories, $100,000,000; other industrial manufacturing, $362,000,000; oil industry, $176,000,000; real estate securities, $433,000,000; miscellaneous, $268,000,000.

In other words utility, rail and real estate financing averaged $2,200,000,000 or 65 per cent of the total. Iron, steel, coal, copper, etc., plus motors and accessories and other manufacturing industry averaged $679,000,000 or about 20 per cent of the total.

Now it is undoubtedly true that in those and succeeding years public utility, railroad and real estate financing were very helpful to the heavy industries. For a variety of reasons well known to the reader, it is obvious this big three of our former public financing is not at present prepared to assume that role again. What of the oil industry? It has been paying off debt for several years, its present expansion needs are small and its own cash is plentiful. Motors and accessories? The survivors are plentifully heeled and moderate expenditures for expansion or modernization here and there are met out of cash. The steel, coal, copper industries? No financing is likely here for some time, though steel is spending some $100,000,000 of present cash for modernization work. This leaves "all other manufacturing" and our vague friend "miscellaneous". Neither promises to figure prominently in the new capital market at present.

What Is the Outlook?

Examining these unadorned realities and assuming that re-employment of the bulk of the unemployed depends on the Siamese twins, Heavy Industry-New Capital Financing, this writer comes reluctantly to the conclusion that the end of the Government's 1936 fiscal year will find millions still without private employment and the Federal budget no closer to a balance.

Yet if we look still more realistically at our problem, is it not apparent that the probable continuing deficiency in new capital financing and in capital expansion may be at root merely a symptom of an unbalanced economy and not its cause?

That is a question the learned economists would do well to ponder. Sometimes the real answer to a complicated question is the simplest one. What is the one single thing that most influences the confidence and optimism of the average business man? It is active demand for his product, nothing more and nothing less. That is why he was both confident and optimistic in 1929.

What is business activity but an exchange of goods and services, with money serving merely as the transportation medium? "Baloney!", say the inflationists—but they are wrong, mistaking effect for cause. In every normal person, including the vast majority of the unemployed, there is a keen desire to ex-

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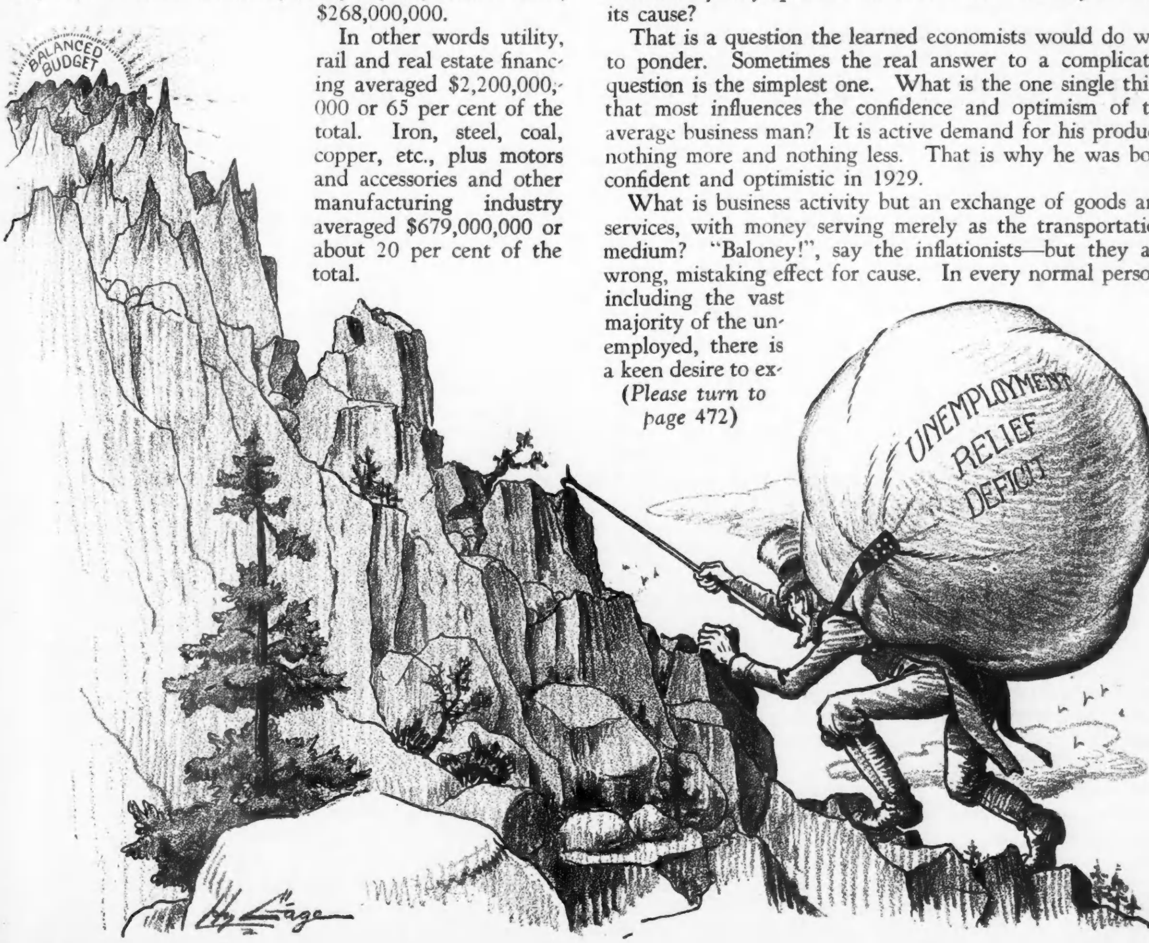

Business Looks at the Pros and Cons of "Social Security"

High Labor Costs Industries Will Be Heavily Burdened

By Theodore M. Knappen

As an abstract proposition opposition to the President's program for social security is offered only by the hopeless cave-dwellers of society. As a practical proposition it should and will be examined from the standpoints of the financial burden it will impose on the economic structure, and of the benefits and disadvantages it may directly or indirectly work to the business life of the country, both individually and generally.

The Roosevelt Administration has already assumed if not declared that it is the duty of the state to provide employment if industry over a protracted period is not able to do so. It now proclaims that it is the duty of the state to see that industry shall:—

1. Provide insurance of unemployment compensation for a definite period.
2. Provide pensions or annuities for workers who shall have attained the age of 65.

Further, the social security plan envisages it to be the duty and charge of the state (meaning government in general) to provide out of public funds (or through public agency) for:

1. Aid to dependent children and mothers.
2. Additional aid to state and local public health agencies, and tentatively, for health insurance.
3. Voluntary annuities system.

As Usual Uncle Sam Pays

While compensation insurance and annuity or pension reserves are being built up from the contributions of industry (employers and employees) there will be a transitional period in which the general government will be called upon to grant subsidies. These subsidies, which will come out of general funds, will be $4,900,000 for unemployment compensation in the fiscal year 1936, and $49,000,000 thereafter; and for old age pensions, $50,000,000 in the first year and $125,000,000 thereafter. General Federal funds will be drawn upon, in addition, for mothers' assistance, maternal and child health, crippled children, child welfare, and public health to the additional amount of $43,000,000, making this total annual New Deal charge against Federal taxpayers $217,500,000.

Labor and Capital Divide Cost

The permanent compulsory pension or annuity plan will be financed by a tax, on payrolls, payable equally by employers and employees but collected by the former. The combined rate starts at 1 per cent in 1937 and gradually ascends to 5 per cent at the end of twenty years. Benefits are limited to $30 a month except as each state may add thereto at its sole expense.

Unemployment insurance compensation tax, which is to be borne entirely by employers, is normally 3 per cent, begins in 1936, but will be only 1 per cent the first year unless the business volume as calculated by the Federal Reserve Board index is 84 or more, which it is not likely to be; but the 3 per cent rate will become mandatory in 1938.

While the supplementary voluntary annuities plan is not financed out of the employers and is purely a matter of voluntary contributions by *any person* under 65, it has important business considerations.

The ultimate reserve fund of the compulsory annuities plan is calculated at $15,250,000,000.

The total annual costs of the social insurance program as a whole will eventually be, it is estimated, $2,500,000,000 but at that time the direct costs to the Federal government should theoretically be trifling. The burden would be on employers and employees.

Burdens and Benefits

The first direct incidence of the new program to be considered from the business point of view is the tax of 1 per cent upon payrolls for the provision of unemployment compensation. In the long run this tax will be pushed along to the consuming public to some extent. The rest of it may be looked upon as entering into the sum total of wages. It may operate to prevent some increase in cash wages or it may cause in some instances and at some times a lowering of cash wages. In any event it does not seem to be a ponderable burden when it is only 1 per cent. When the employment compensation tax gets up to 3 per cent, it will become a serious problem for many concerns. In view of competition, codes and fixed wages they may have to take the tax entirely out of profits, thus permanently reducing capital's share of earnings. Some weak concerns would be unable to stand the drain, and would have to go out of business.

On the other hand there would be the offsetting fact that the payment of this tax would tend to reduce the amounts of voluntary contributions and emergency relief taxes in times of unemployment and distress. The maximum payment to an unemployed person would be $15 a week for 16 weeks. While this would be but a drop in the bucket in a protracted crisis like the present, it would be an important factor in ordinary depressions and local shutdowns.

In another way, however, the compensation fund tax

would be one to promote industrial loss. A man out of work because he went on a strike would be entitled to compensation, just as if he were laid off. Thus a premium would be placed on labor disputes and the depressive effects they have on business earnings. In effect, the employer would be contributing to a strike fund. It would seem, therefore, that it would have been more equitable to have compelled employees to make some contribution to unemployment insurance. Now they can strike wholly at the expense of the employer.

Increasing Wage Cost

Turning to old age pensions or annuities, the compulsory kind will be paid for by employers and employees, half and half. Eventually the employer's part will be 2½ per cent of his payroll, but that will not be until 1937; and it will begin next year with only ½ per cent. The same arguments can be advanced as to the effects of this tax as those regarding the compensation tax. To some extent they may be absorbed into the wage total, to a great degree they will be passed on to the general public. In the first years the incidence of this taxation—even when combined with that of the pension levy—will be negligible for most business concerns; but many in the marginal groups will find them a sentence of death.

In the end, however, employers will be paying combined social security taxes of 5½ per cent on the total amount of their payrolls—and the entire burden imposed upon industry will be 8 per cent of the payroll. Such an impost would probably put many concerns out of the running, if we were to assume that such a percentage were to come out of net earnings after all the ordinary expenses of business had been met. But individual states may make contribution assessments still higher in order to enlarge benefits.

What Social Legislation Would Cost the Federal Government

Item	Fiscal Year 1936	Each Succeeding Year
Old-age pension	$50,000,000	$125,000,000
Unemployment insurance	4,900,000	49,000,000
Mothers assistance	25,000,000	25,000,000
Maternal and child health	4,000,000	4,000,000
Crippled children	3,000,000	3,000,000
Child welfare	1,500,000	1,500,000
Public health	10,000,000	10,000,000
Totals	$98,400,000	$217,500,000

High Labor Industries

It may turn out to be unfair if not ruinous to apply the same rate of tax to industries whose "raw material" is largely labor as to those wherein labor represents but a minor part of the finished product. The proportion of labor costs to selling prices are very high in the automobile, textile, building, motion picture, service and some other industries, and low in steel, chemicals and oil. To take an amount equal to 8 per cent of the payroll out of the net income of such a company before arriving at the profit zone might be disastrous during the readjustment period if not finally so. Group competition might be seriously affected, as with lumber versus steel. Perhaps even a more serious incident of a tax based on payrolls is the superpremium that would be put on mechanization and technological unemployment at a time when it is recognized that to prevent undue social strains these changes should be brought in gradually.

But over a period of many years the tendency would be, as is proper, that this tax would be passed on and spread out over the whole community. Some of it might be absorbed in slightly less wages rates than otherwise would have been paid. Some of it would drop into prices. Some of it, too, would merly represent the substitution of one tax for some other tax. It must be remembered that in some manner and in some degree the community already sustains the unemployed and the aged. Business is taxed for public relief in some form at all times.

A threat to business there will always be in the opening up of a new outlet for public funds, and a new excuse for collecting taxes. Under the co-operative set-up, the demagogues and the sob sisters will press annually upon Congress and state legislatures for larger compensations and more generous pensions. Another horde of functionarial tax-eaters will hustle and bustle up to the public feed trough and stay there. The ultimate bill they will present to the taxpayers through cowed or cajoled legislative bodies will be much larger than is now contemplated.

Government Invests in Itself

As the compensation and insurance funds are to be invested in government bonds they will be a standing temptation to expand the public debt and a compulsion to perpetuate it. The service of the debt thus incurred will cost about $400,000,000 a year—and might in time be nothing but a governmental gratuity to pensions and compensation. These facts have led to the suggestion that it might be better to do without reserves, save the interest, and pay compensation and annuity charges as they mature annually out of the current specific taxes, plus whatever additional amounts might be required from the general funds. Investing government funds in government bonds is similar to giving yourself a promissory note for cash transferred from one pocket to another. But the practical fact remains that Congress will appropriate to pay interest on bonds deposited in a trust fund more certainly and dependably than it will meet a recurring appropriation not instrumentally obligated. Also, the temptation would be strong for demagogues to liberalize annuities and increase the unemployment payments if each year Congress was handed a bill calling for a special appropriation affecting half of the electorate.

It is illuminating to recall that in the matter of civil service pensions Congress is now in an embarrassing position because of its reluctance to appropriate money that can not go swiftly and immediately into pork or legitimate expenditures. The Civil Service pension fund is now $2,000,000,000 less than it should be, and acheful annual appropriations have to be made to satisfy the amounts annually called for by retired civil servants who have duly paid for their annuities through deductions from pay.

Loss to Insurance Companies

The inauguration of a government voluntary annuity or pension system will have the specific effect of interfering to some extent with the business of private insurance companies on straight life insurance as well as annuity business. The compulsory pensions would also have a possible tendency to reduce patronage of insurance companies. On the other hand, the insurance companies might expect to benefit from the great popular interest which would be

(*Please turn to page* 471)

Semi-Annual Dividend Forecast

Part I—Railroads, Public Utilities, Equipments

RECENT months have seen the trend of dividends turning more and more in the investor's favor in most industries. Increasing earnings, the threat of taxation on corporate surpluses and the lack of demand for plant expansion have resulted in numerous resumptions, increases and special distribution in a growing number of corporations.

This favorable trend has not been discernible among the rails and utilities which continue to reflect both the uncertain pace of general recovery as well as the pressure of heavy taxation and governmental regulation and competition, but it is clearly evident among the lighter industries and as general conditions improve should gradually make itself felt in the heavier durable goods industries.

During the past year many companies have elected to make payments as operations become profitable without committing themselves to a definite annual rate. As the prospect of recovery becomes clearer, more and more such, however, are expected to resume a standard payment.

Thus the investor will be afforded a widening choice among dividend-paying issues. It is fortunate that this is so, for with prices of so many issues already liberally discounting improvement, the quest of a fair average return is not an easy one.

In this connection, however, this dividend will be found most helpful. The principal companies in the major industries are shown individually with earnings on the common shares for 1934 compared to last year. Where official figures are not yet available, careful estimates based on interim reports and the trend of the industry have been made. The price range for the past year is given together with present dividend rate. Dividend prospects are covered by individual comments, which should be read in conjunction with the general discussion of the industry preceding each table.

Each issue in the following compilations is rated with regard to the investment status of the issue and its indicated market prospects in accordance with THE MAGAZINE OF WALL STREET's rating system as shown in the accompanying box.

This Semi-Annual Dividend Forecast is presented in two parts. The current issue covers leading railroads, public utilities and the various types of equipment companies.

The second part which will appear in the issue of February 16 covers the principal companies in steel, metals, petroleum, chemicals, food, building, merchandising, automobiles, tires and motor accessories.

In connection with the table on railroad stocks, readers are urged to read "Meeting the Problems of Transportation" by John J. Esch, which appears on page 432, of this issue. Also, additional light is thrown on the public utility situation by Mr. Fullerton's discussion of the stock holdings of fiduciary institutions on page 438.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters A, B, C and D are applied in rating the industry; and the numerals 1, 2, 3 and 4 in rating the position of the company in that industry. Thus:

INDUSTRY	COMPANY
A—In a strong and expanding position.	**1—Large current earnings; dominant in field; strong financially.**
B—In a fairly strong and stable position.	**2—Good potential earnings; important company; good financial position.**
C—Depressed but prospects for recovery moderately favorable.	**3—Earnings still relatively low; fair financially; business volume moderate.**
D—Depressed; declining profits; no signs of nearby improvement.	**4—Doubtful outlook; weak financial position; unprofitable operations.**

Mounting Expenses Menace Rails' Dividend Prospect

More Traffic Essential

DEVELOPMENTS of the past year bring into bold relief the fundamental difficulties and problems with which the railroad industry continues to struggle. Last year freight traffic, as measured by carloadings, experienced an estimated gain of 5.6% over 1933 and the number of passengers carried showed an increase of nearly 10% This is the first time since 1923 that passenger traffic has shown a gain. Reflecting the larger volume of traffic, gross revenues were up 4.7%.

Unfortunately, however, expenses increased more sharply than revenues. According to preliminary estimates, net income for 1934 was even lower than in the previous year and Class I railroads failed to cover aggregate fixed charges by some $30,000,000. In 1933, these same roads came within less than $14,000,000 of fully earning fixed charges.

In justice to the railroads, it must be said that the showing last year was in no way due to lack of operating efficiency. Rather it reflects conditions beyond their control—conditions resulting directly from unwise and untimely governmental interference.

Fuel costs, it has been estimated, rose about 20% during the past year and in the case of materials and supplies, prices were about 15% higher on the average. In the aggregate these items added more than $75,000,000 to railroad expenses in 1934. One-quarter of the 10% wage cut, placed into effect early in 1932, was restored last year; half of the reduction was restored at the beginning of this year; and the balance will become effective on April 1, next. This means that the railroads this year will have to pay out in higher wages some $155,000,000 more per year, while the Pension Act, if continued in force, is calculated to add $65,000,000 annually to costs.

More in self-defense than in any real hope that their request would be granted, the railroads have applied to the I.C.C. for permission to increase freight rates 15%. In some quarters it is held that the roads will be granted a part of this increase but it is a moot question whether the railroads themselves are really anxious to add more to a rate structure which already has deprived them of a considerable volume of traffic and redounded to the benefit of competitive mediums of transportation.

Making allowance for the actual and prospective increases in railroad operating costs this year and even granting a moderate increase in traffic volume, one is, nevertheless, forced to concede that the current year is likely to bring little change for the better in the earnings position of the shares of the majority of the railroads. With one-sixth of the railway mileage insolvent, with about $2,000,000,000 of debt to be refunded in the next five years, and with the credit position of the industry already seriously strained, railroad equities as a group offer very few candidates for increased dividends.

At this time the attention of the railroad industry and railroad investors is focused upon Washington, with the hope that the present session of Congress will enact legislation which will aid in mitigating the present plight of the industry. In the meantime, however, the Government will doubtless continue to lend financial assistance to distressed carriers, which many regard as a prelude to the eventual nationalization of our railway systems. In any event, the political aspects of the situation at this time greatly overshadow the financial and statistical, and the trend of later developments in that direction should afford a more tangible cue as to the railroads' future than is present at this time.

Position of Railroad Common Stocks

Railroad	Earned Per Share 1933	Earned Per Share 1934(e)	Price Range 1934 High	Price Range 1934 Low	Recent Price	Dividend(a)	% Yield	Market Rating	COMMENTS
Atchison	Nil	0.25	73¾	45¼	50	2.00	4.0	C-2	Conservative capitalization and excellent financial position. May again pay a special dividend this year.
Atlantic Coast Line	Nil	Nil	54¼	24½	31	....	....	C-3	Deficit smaller last year. Fair financial position. Dividend not an early possibility.
Baltimore & Ohio	Nil	Nil	34½	12¾	13	....	....	C-3	Dividends still sometime away. Finances comfortable despite large RFC loans.
Bangor & Aroostook	5.29	5.00	46⅛	35½	39	2.50	6.4	C-1	Dividends amply protected. Earnings would warrant increase.
Boston & Maine	Nil	Nil	19½	5¼	6½	....	....	C-4	Lower earnings last year and impaired working capital, detracts from the road's prospects.
Canadian Pacific	Nil	Nil	18¼	10⅞	13	....	....	C-2	Earnings reflect improved economic conditions in Canada, but dividends not a near term prospect.
Central R. R. of New Jersey	Nil	Nil	92	53	52	....	....	C-2	Finances satisfactory but dividends must await further restoration of traffic.
Chesapeake & Ohio	3.69	3.75	48⅝	39½	43	2.80	6.5	C-1	Road's outstanding record lends attraction to shares. Could pay more.
Chic., Mil., St. Paul & Pac	Nil	Nil	8½	2	2½	....	....	C-4	Present company has never paid common dividends.
Chicago & Northwestern	Nil	Nil	15	3½	4½	....	....	C-4	Will require continued financial assistance from Gov't. Shares highly speculative.

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Position of Railroad Common Stocks

Railroad	Earned Per Share 1933	Earned Per Share 1934(e)	Price Range 1934 High	Price Range 1934 Low	Recent Price	Dividend(a)	% Yield	Market Rating	COMMENTS
Chic., R. I. & Pacific	Nil	Nil	6¼	1⅜	2	....	....	C-4	Finances restricted and reorganization still some time away.
Delaware & Hudson Co.	3.52	2.50	73½	35	38	....	....	C-2	Valuable security holdings lend long term attraction. Dividends unlikely in near future.
Delaware Lack. & Western	Nil	Nil	33¾	14	16	....	....	C-2	Earnings could recover sharply with further general business improvement. Finances good.
Erie	Nil	Nil	24⅞	9⅜	11	....	....	C-3	Good credit standing despite large loans. Dividend prospects dubious.
Great Northern (Pfd.)	Nil	Nil	32½	12¼	15	....	....	C-3	Large 1936 maturity, restricts speculative possibilities for shares.
Illinois Central	Nil	Nil	38⅞	13⅝	15	....	....	C-3	Earnings lower last year. Finances fair. Dividends unlikely for some time.
Kansas City Southern	Nil	Nil	19¾	6⅝	7½	....	....	C-3	Finances secure but earnings not yet sufficient to meet charges.
Lehigh Valley	Nil	Nil	21¼	9½	10	....	....	C-3	Earnings off moderately last year. May require further RFC aid. No dividends this year.
Louisville & Nashville	1.54	2.00	62½	37¾	42	3.00	7.0	C-2	Finances strong. Further dividends probable for 1935.
Missouri-Kansas-Texas	Nil	Nil	14⅞	4⅜	5½	....	....	C-3	Finances remain strong, but restricted earnings preclude dividends for some time.
Missouri Pacific	Nil	Nil	6	1½	2¼	....	....	C-4	Present status of road places shares in obscure speculative position.
New York Central	Nil	Nil	45¼	18⅜	19	....	....	C-3	Excellent longer term prospects not nullified by current restricted earnings and finances.
N. Y., Chic. & St. Louis	Nil	Nil	26⅞	9	10	....	....	C-3	Substantial gain in gross absorbed by higher costs. Dividends remote but shares have speculative merit.
N. Y., N. H. & Hartford	Nil	Nil	24⅛	6	7	....	....	C-3	Heavy borrowings which must be liquidated obscure dividend prospects.
N. Y., Ont. & Western	0.64	Nil	11⅝	4½	5	....	....	C-3	Finances restricted and dividend prospect unencouraging.
Norfolk & Western	15.33	14.00	187	161	172	10.00	5.8	C-1	Strong finances and sustained earnings presage continued liberal dividend policy.
Northern Pacific	0.12	0.25	36¼	14½	18	....	....	C-2	Earnings up; financial position sound. Shares have speculative merit.
Pennsylvania	1.46	1.20	39⅛	20⅛	22	1.00	4.6	C-1	Stockholders likely to receive at least $1 in dividends for 1935.
Pere Marquette	Nil	Nil	38	12	18	....	....	C-3	Despite shortage of fixed charge coverage, 1934 earnings substantially better. Shares have interesting speculative possibilities.
Reading Co.	2.80	2.50	56⅜	35⅛	37	2.00	5.4	C-1	Finances strong and earning power well sustained. No change in dividends indicated.
Southern Pacific	Nil	Nil	33¾	14⅞	16	....	....	C-2	Finances comfortable but restricted traffic is against early dividend resumption.
Southern Rwy.	Nil	Nil	36½	11½	14	....	....	C-2	Earnings lower last year, but favorable potentialities of territory lend speculative merit to shares.
Union Pacific	7.92	6.50	133⅞	90	105	6.00	5.7	C-1	Continued coverage of dividend assures maintenance of present rate.
Western Maryland	Nil	Nil	17¼	7⅛	8	....	....	C-3	Large dividend accumulations on preferred offset favorable implications of improved earnings.

(e) Estimated. (a) Paid 1934.

Politics Continue to Hamper Public Utilities

Lower Rates and Increased Costs Are Factors That Have Made for Smaller Dividends

AT one time during the depression the dividend record of the better utility companies was second to none. A few sensational pyramids, of course, had toppled with reverberating crashes, but these were thought to be isolated disturbances. If a few over-expanded holding companies crashed, it did not necessarily mean that the better holding companies, and least of all the better operating companies, should follow suit.

Unfortunately, a mounting feeling against the public utilities has been no respecter of persons and the constant agitation for lower rates, coupled with the increased expense of operation, has had an adverse effect even upon the earnings of operating companies. As a result, dividends in certain instances have been reduced, or even passed altogether. However, the most noteworthy effect of the current political agitation upon utility companies of all kinds has been less in the dividends actually reduced, but in the uncertainty which now attaches to almost all of them. Should the present tendency continue, this uncertainty undoubtedly will be translated into a greater number of actual reductions. And this will be the case, though the improvement in general conditions continue and result in a larger

demand for utility service, because at the present time no conceivable increase in business volume could be strong enough to more than offset the adverse influences in the picture. It is to be supposed, of course, that there are companies strong enough or sufficiently well situated as to enable them to pass successfully through the difficult times ahead, but so far as the common stockholder is concerned these are likely to be in the minority.

The Federal Government at the present time is purporting to make a sharp distinction between a holding company and an operating company. It does not seem as if any such distinction can be applied in reality. Some companies, technically holding companies, are as well-managed and as soundly financed as many a simon pure operating company. To force such holding companies to merge their properties might well put small minority interests into a position of insufferable power. Now that the public utility outlook is dominated by politics, it is to politics that the stockholder must look for the safety of the dividends on which he lives.

Position of Public Utility Common Stocks

Company	Earned per Share 1933	Earned per Share 1934E	Price Range —1934— High	Price Range —1934— Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
American Power & Light	Nil	Nil	12¼	3	3	....	....	C-4	As a utility holding company, prospects improved but are not rosy.
American Tel. & Tel.	5.38	5.85	125¼	100⅛	105	9.00	8.6	B-2	May well continue present unearned dividend, but political agitation menaces longer term outlook.
American Waterworks & El.	1.22	1.00	27⅝	12⅝	13	1.00	7.8	C-3	Has done comparatively well, although dividend is not safe.
American & Foreign Power	Nil	Nil	13¾	3⅞	4	....	....	C-4	Outlook obscure.
American Gas & Electric	1.72	1.60	33⅜	16¼	20	1.00*	5.0	C-3	Regular rate appears reasonably well assured.
Associated Gas & Electric "A"	def	def	2⅜	¼	½	....	....	C-4	Ultimate future doubtful.
Brooklyn-Manhattan Transit	7.40a	2.50b	44⅞	28¼	39	0.75‡	....	C-2	Should be able to continue present 75-cent quarterly rate.
Brooklyn Union Gas	6.18	4.30	80½	46	49	5.00	10.2	C-3	Dividend hardly safe in view of outlook for rates in New York City district.
Cities Service	Nil	Nil	4¼	1¼	1½	....	....	C-4	Prospects beclouded.
Columbia Gas & Electric	0.51	0.35	19¼	6⅝	7	....	....	C-3	Continues to earn something on the common. May do better later.
Commonwealth Edison	4.56	3.80	61½	34½	52	4.00	7.7	C-2	Dividend not safe, although should continue to pay something.
Con. Gas, El. Lt. & Pr. of Balt.	3.91	4.00	68	48½	54	3.60	6.7	C-1	Shows up unusually well in regard to rates, earnings, dividends and credit standing.
Consolidated Gas of New York	3.32	1.90	47⅜	18½	19	0.25‡	....	C-2	Future dividends hinge upon the outcome of present political developments.
Detroit Edison	4.83	5.40	84	63½	75	4.00	5.3	C-1	Automobile activity beneficial. Dividend seems reasonably safe.
Electric Bond & Share	0.44	0.20	23½	6	6	....	....	C-4	Outlook uncertain.
Electric Power & Light	def	def	9⅜	2¼	2½	....	....	C-4	Deficits continue.
Hudson & Manhattan	def	def	12⅛	4	5	....	....	C-4	Hit by smaller traffic and less profitable real estate.
International Tel. & Tel.	0.11	0.25	17¾	7½	9	....	....	C-3	Recently has done somewhat better, but company has a long row to hoe.
Louisville Gas & El. "A"	2.65	2.50	21	12	13	1.50	11.6	C-3	Dividend may be maintained.
National Power & Light	0.90	0.90	15½	6⅝	7	0.80	11.4	C-3	Earnings hold up relatively well, although present dividend is hardly certain.
New York Steam	2.67	N. E.	38	13	15	....	....	C-3	Recently passed dividend. Time of resumption problematical.
Niagara Hudson Power	0.66	0.60	9¾	3	3	....	....	C-3	Recently announced proposal for widespread reduction in rates upstate.
North American	1.19	0.90	25¼	10¼	12	1.00	8.3	C-3	Has to contend with political agitation against holding companies. Dividend not assured.
Pacific Gas & Electric	1.48	1.25	23½	12¾	14	1.50	10.7	C-2	This unearned dividend cannot be considered safe. Likely to continue paying something, however.
Pacific Lighting	3.28	2.25	37	20¾	22	3.00	13.7	C-2	Downward readjustment of dividend rate likely within the not too distant future.
Peoples Gas, Light & Coke	2.90	1.00	43⅞	19¼	22	....	....	C-3	Near-term dividend resumption unlikely.
Public Service of N. J.	3.26	2.70	45	25	26	2.80	10.8	C-2	Modest reduction in present rate possible.
Southern California Edison	1.33	1.00	22⅛	10⅛	12	1.50	12.5	C-2	Without higher earnings, company cannot maintain present dividend indefinitely.
Standard Gas & Electric	Nil	Nil	17	3⅝	4	....	....	C-4	Future obscure.
Stone & Webster	Nil	Nil	13¼	3⅞	4	....	....	C-4	Hampered by large investments in utility holding companies.
United Corp.	0.24	0.17a	8⅞	2⅛	2	....	....	C-3	Most of company's holdings are under political fire.
United Gas Improvement	1.23	1.20	20⅛	11½	12	1.00	8.3	C-2	Fine record of stable earnings, although dividend is not wholly safe.
United Light & Power "A"	Nil	Nil	5⅜	⅝	1	....	....	C-4	Prospects uncertain.
Utilities Power & Light "A"	Nil	Nil	5⅜	1½	1½	....	....	C-4	Ultimate outlook beclouded.
Western Union	4.18	1.70	66⅞	29½	32	....	....	C-3	Expenses have been rising faster than business. Politics dominate the future.

a Year to June 30, '34. b 6 months to Dec. 31. N. E. No estimate possible. ‡ Paid last quarter—no regular rate. * Plus extras.
A Actual earnings.

Prospect Brightens for Equipments

Business Equipment and Agricultural Implements Should Gain in Coming Months

IN 1934 the equipment industry extended further the recovery which became manifest in 1933 and nearly all of the principal companies comprising the four major divisions of the industry either showed larger earnings or were successful in appreciably reducing losses. In fact the showing of the industry as a whole last year may be regarded as little short of remarkable—remarkable in that the industry has made definite progress notwithstanding the fact that aggregate demand for durable, or capital, goods still remains severely restricted. Each group, however, was favored by special circumstances, partly fortuitous, and partly intentional, brought about by special efforts within the industry designed to stimulate demand.

Without in any way minimizing the importance of progress already made by the equipment industry toward the goal of recovery, the fact remains, however, that with the exception of notable records on the part of several companies, the industry continues essentially one of abundant promise and meager performance, comparatively speaking. The total volume of new orders last year, while substantial on a percentage basis, were modest in actual volume and considerably lower than normal. It is, however, no exaggeration to say that the potentialities have grown almost inversely to the failure of recovery to materialize. In fact, the mere passage of time has added to the store of latent demand, for the longer new purchases of machinery and equipment are postponed, the greater must be the ultimate market. The forces of wear and tear and obsolescence have been in no way vitiated by the depression and in the meantime, manufacturers, well provided with working capital, have not neglected the fields of research and development. This has been particularly true in the case of the railway equipment division.

Railway equipment manufacturers have concentrated their efforts on the development of speedier, more efficient and more economical locomotives, freight and passenger cars and incidental equipment such as signalling devices and brakes. The proven possibilities of cutting down railway operating costs through the means of modern and up-to-date equipment would seem irresistible to the railroads, The flaw, of course, is the restricted earning power and finances of the railroad industry, although last year P W A loans to the carriers for the purpose of acquiring new equipment were a helpful factor.

During 1934, more than 23,000 new freight cars were ordered as compared with less than 1,700 in 1933. More than 150 locomotives were ordered as against only 42 the previous year, while orders for new passenger cars totalled more than 400 as compared with only six in 1933. Last year nearly 4,000 passenger cars were air-conditioned and the possibilities in this field are regarded as particularly promising. The American Railway Association has recommended that all freight cars engaging in interchange traffic be equipped with the new AB brakes, by January 1, 1945. While many of the 2,000,000 freight cars now in service will be retired before the expiration of this ten-year period, there is a large potential demand for this new type of braking equipment. It is possible also that many roads may prefer to purchase new freight cars rather than incur the expense of equipping the old ones. Signalling equipment has been improved and made less costly and more efficient and manufacturers in this group have developed numerous safety devices, train control systems and car retarders. In so many words, the railroad equipment now being offered is so vastly superior to much of that currently in use that its purchase becomes virtually an economic necessity. While real revival of the industry must await clarification of the general railroad situation, all of the leading companies are amply financed and able to withstand a further protracted period of restricted demand. For the present, at least, there is likely to be but few dividend changes in this group.

Reflecting the combined effects of huge relief, rental and benefit payments and higher farm prices, it is estimated that sales of agricultural machinery and equipment increased 60% last year and aggregated upwards of $192,000,000. On the basis of government statistics, 1935 will produce a comparable, if not greater, increase. It is generally conceded that aggregate farm income last year gained more than a billion dollars, marking the second successive year in which there has been a significant gain in farm purchasing power. Yet reliable figures show that equipment purchases have been considerably less than normal, without any evidence, however, that the farmer has abandoned power farming. During the depression the outlay for the operation of farm equipment declined less than 25%, whereas purchases of such equipment declined 80%.

It must be said, on the other hand, that the farmer apparently has taken advantage of higher income to get himself out of debt. This has been reflected in a very substantial reduction in the amount of receivables of the representative equipment manufacturers during the past year. From all indications, 1935 promises to be one of the best years which the industry has enjoyed since 1929, although much in the way of favorable dividend developments on the shares in this group is unlikely prior to 1936.

The urge to save on higher wage costs, expanding retail trade and necessituous replacement demand have all combined to give the business equipment companies a much brighter outlook. With general business struggling to emerge from the depression but harassed by rising costs, equipment manufacturers promptly placed extra emphasis on the value of labor-saving devices and equipment, which would do more work in less time. Much obsolete and inefficient office equipment is still in use and demand from this source may be counted upon as a potent factor, gathering force in proportion to the further recovery of general business. Normally, the business equipment industry sells about one-third of its output abroad and foreign sales in the past have accounted for around 50% of profits, largely because of the wider margin on this business. Recently sales abroad have been averaging 40% of the 1929 peak, aided by dollar devalution. Although the uncertainties of the foreign situation tend to obscure the imme-

diate export prospect, possibilities in this direction are almost unlimited and will be dissipated only by the unlikely event of complete nationalization.

The business equipment industry has weathered the depression in a commendable fashion and is currently in a distinctly sound financial position. A number of companies have paid dividends continuously through the depression, while in the case of others, a strong balance sheet position suggests that stockholders will not have long to wait for dividends.

Due to the comparative lack of homogeneity in the machinery and electrical equipment group, any forecast of the prospects must be qualified to the extent of admitting that each company is subject to different conditions and must be considered individually on its merits. By and large the past year was one of improvement for these companies; orders were larger, substantially so in some instances; finances were strengthened; and the current outlook is not without favorable implications. There is perhaps one statement which would apply to all of them: no material improvement in present dividend status is likely until general recovery has assumed more dynamic proportions.

Position of Leading Equipment Stocks

Railroad

Company	Earnings Per Share 1933	Earnings Per Share 1934(e)	Price Range 1934 High	Price Range 1934 Low	Recent Price	Dividend	% Yield	Market Rating	COMMENTS
American Brake Shoe & Fdry	0.53	1.00	38	19½	27	0.80	3.0	C-2	Substantial earnings not imminent but strong financial position assures dividend.
American Car & Foundry	Nil	Nil	33⅞	12	18	....	....	C-3	Finances well conserved and activities diversified, but dividends still some time away.
American Locomotive	Nil	Nil	38¾	14½	18	....	....	C-3	Losses last year should be materially lower, but shares continue in long term category.
American Steel Foundries	Nil	0.10	26½	10⅛	17	....	....	C-3	Revival of railroad buying of equipment prime factor in further earnings recovery.
Baldwin Locomotive	Nil	Nil	16	4½	6	....	....	C-3	Substantial orders booked but working capital restricted. Shares have some speculative promise.
General Amer. Transport	2.51	3.00	43⅝	30	37	1.75	4.7	C-2	Good coverage for dividends and favorable prospects suggest probable increase to $2.
General Rwy. Signal	Nil	Nil	45¾	23½	26	1.00	3.9	C-2	Payment of unearned dividends warranted by strong financial position.
N. Y. Air Brake	Nil	0.40	28¾	11½	25	....	....	C-2	Longer term prospects excellent. Shares have speculative promise.
Pullman, Inc.	Nil	0.75	59⅜	35¼	50	3.00	6.0	C-2	Marked improvement in earnings plus strong treasury position aids security of dividends.
Union Tank Car	0.99	1.25	25¾	15⅝	25	1.20	4.8	C-2	Stable earnings and ample liquid resources give adequate dividend protection.
Westinghouse Air Brake	Nil	0.10	36	15⅞	24	0.50	2.0	C-2	Payment of unearned dividends no strain on substantial working capital.

Business

Company	Earnings Per Share 1933	Earnings Per Share 1934(e)	Price Range 1934 High	Price Range 1934 Low	Recent Price	Dividend	% Yield	Market Rating	COMMENTS
Burroughs Adding Machine	0.27	0.50	19⅝	10½	15	0.60	4.0	B-2	Diversified products have aided earnings recovery. Finances strong; dividend secure.
International Bus. Machines	8.16	9.40	164	131	152	6.00*	4.0	B-1	Outstanding earnings record places shares in investment category. Could pay more.
National Cash Register	Nil	1.00	23⅝	12	16½	0.50	3.0	B-2	Recent recovery in earnings should continue this year. Modest increase in dividends possible.
Remington Rand	0.01(A)	0.50	13⅝	6	10	....	....	B-2	Earnings showing sharp revival. Dividend resumption on pfds. likely. Common attractive speculation.
Underwood-Elliott-Fisher	1.99	3.25	58⅞	36	57	2.00	3.5	B-1	Finances and earnings would permit larger dividend.

Agricultural

Company	Earnings Per Share 1933	Earnings Per Share 1934(e)	Price Range 1934 High	Price Range 1934 Low	Recent Price	Dividend	% Yield	Market Rating	COMMENTS
J. I. Case	Nil	Nil	86¾	35	55	....	....	C-3	Cash position strengthened. Current prospects lend interesting speculative possibilities.
Deere & Co	Nil	Nil	34⅛	10½	27	....	....	C-3	Modest capitalization presages rapid rise in per share results with revival of industry.
International Harvester	Nil	Nil	46⅞	23¼	40	0.60	....	C-2	Leading company in field; faces improved prospects. Dividends secure.

Machinery and Electrical Equipment

Company	Earnings Per Share 1933	Earnings Per Share 1934(e)	Price Range 1934 High	Price Range 1934 Low	Recent Price	Dividend	% Yield	Market Rating	COMMENTS
Allis-Chalmers Mfg	Nil	Nil	23⅜	10⅜	16	....	....	C-2	Shares essentially a long pull medium dependent upon revival of capital goods demand.
Amer. Machine & Fdry	0.95	1.20	23⅝	12⅜	21	0.80*	4.0	C-2	Earnings fairly stable and finances permit liberal dividend policy.
Chicago Pneumatic Tool	Nil	Nil	9⅞	3⅝	6½	....	....	C-3	Earnings have improved but accumulated dividends on preferred place common in long term category.
Caterpillar Tractor	0.16	1.94(B)	38¾	23	38	1.00*	2.6	C-2	Company has made strong comeback and faces promising future. Further extras indicated.
Fairbanks, Morse & Co	Nil	Nil	18¾	7	19	....	....	C-3	Dividends not imminent but Diesel engines suggest dynamic possibilities.
Foster Wheeler Corp	Nil	Nil	22	8½	15½	....	....	C-3	Orders up; finances sound. Shares not without speculative interest.
General Electric	0.38	.60	25¼	16⅞	23	0.60	2.6	C-2	Retirement of special stock strengthens common equity. Modest increase in dividend possible.
Ingersoll-Rand	0.01	2.00	73¾	49½	66	2.00*	3.3	C-2	Strong finances permit liberal dividend policy.
National Supply	Nil	Nil	21⅛	10	12	....	....	C-3	Losses smaller last year, but dividend prospects rather obscure.
Westinghouse Electric	Nil	Nil	47¼	27⅞	39	....	....	C-2	Orders up nearly 50% last year. Dividends not imminent but shares have long term merit.
Worthington Pump & Mach	Nil	Nil	31⅞	13½	18	....	....	C-3	Dividends not in sight. Shares essentially speculative.

(e) Estimated. (A) Yr. ended Mar. 31, 1934. * Plus extras. (B) Actual

Changing Investment Trends

As Revealed by Portfolio Changes Among Leading Investment Trusts

By Ward Gates

As an indication of the changes in the prospect of various industries and companies and of the corresponding shift in investment selections, it is interesting to note that only two of the stocks among the ten most popular in trust portfolios today were among the ten most popular a year ago—J. C. Penney and Standard Oil of New Jersey. Whereas the favored group a year ago contained three utilities and one railroad, neither rails nor utilities are among the first ten today.

IN this country we seem usually to be either too optimistic or too pessimistic. Nothing could better illustrate the paradoxical extremes of public sentiment than the market appraisal of the investment trusts in recent years.

Everyone will remember the frantic eagerness with which any new stock issue labeled "investment trust" was snapped up in those roseate months of 1929. The bidding up of market prices of these unseasoned flotations, indeed, can be seen in retrospect to have been the crowning absurdity of the speculative era.

Stocks were at a high level but over and above that level buyers in great numbers were willing to pay a premium of 25%, 50% or what have you for investment trust management. Today the pendulum has swung so far the other way that many such issues sell for substantially less than the actual market values behind them, which means that management is selling at a discount.

Management at Discount

A typical example is Lehman Corp., one of the strongest and best managed trusts. Its common stock was publicly offered at $104 a share in September, 1929, at the virtual peak of the biggest bull market in our history; and was quickly bid up in the market to $136, long before its management utilized the funds placed in its hands.

Today this stock sells around $70 a share, although the asset value behind it, as of January 1, was $88.36. On the whole, this record is outstanding. The deficiency in asset value per share under the $104 per share paid in to this trust is only $16. Considering the much greater difference between today's general price level and that of 1929, it would seem that this management is worth some premium, rather than a discount; even if by no means worth the speculative premium placed upon it in 1929.

No year since 1929 has offered a more valid test of investment trust management than the year 1934. The general trend of the market was less clearly defined than in any year since the majority of trusts were organized. Some stocks enjoyed broad appreciation during the year, but as many went down and still more did very little either way. In some instances issues which would seem to be responsive to the same general influences moved in opposite directions.

Among the highly favored chemical group, for example, Air Reduction went up, while Allied Chemical went down and there was no important change either way in du Pont, Union Carbide and Mathieson Alkali. On the other hand, the year was a clearly disastrous one for public utility stocks and not much better for rails.

In short, there was little of the obvious in the 1934 market. The only generality applicable to it was that stocks with soundly secured dividends tended to advance. This naturally helped such investment trusts as lean heavily to conservatism in common stock investments. Most other instances of broad appreciation can be put down as "special situations" — usually directly related to dynamic earnings improvement — and thus detectable only on inside information or shrewd judgement.

The purpose of this article is to review briefly the results accomplished by such leading trusts as have thus far issued their 1934 reports revealing portfolio changes. In the light of today's market, how wise were their purchases and sales?

The first thing that stands out is precisely what one would expect, human nature being what it is—namely, that the operations under review show a very wide diversity of opinion, not only as to the position of industries but of the merit or lack of merit in individual issues. For this reason, few conclusions can be drawn and the easiest procedure is to examine the records of individual trusts.

That of the Lehman Corp. is especially interesting, showing both changes in aggregate value of holdings during 1934 and changes in the common stock portfolio between June 30, 1934, and the close of the year. All securities held were worth $51,318,501 at the end of 1933 and $57,978,233 at the close of 1934, cash holdings being but a trifle changed between the two periods.

Eight Per Cent Over Averages

This is an appreciation of nearly 13% during a year in which the Dow-Jones industrial "average" advanced approximately 5%. With industrial shares making up by far the greatest portion of its holdings, the company's management must be given credit for doing somewhat better than the market.

On the other hand, issue for issue, the largest profit opportunities in 1934

were in preferred stocks and in second grade bonds. Other than Government bonds, Lehman had an investment of less than $8,000,000 in bonds and preferred stocks at the end of 1934, an increase of nearly $1,500,000 in six months; but comparing with investment of $43,568,172 in common stocks.

For another point of comparison, the writer has checked off twenty-five common stocks which scored notably broad gains during 1934. The Lehman Corp. held seven of these stocks, although in two the investment was small. On the other hand, its total representation covered 111 stocks. The seven favored issues were Commercial Investment Trust, Eastman Kodak, of which it bought 500 shares between June 30 and December 31; Jewel Tea, United States Smelting, Underwood-Elliott-Fisher, Liggett & Myers "B" and National Lead, of which it bought 300 shares during the period covered.

In number of points, the largest gains made in common stocks listed on the New York Stock Exchange in 1934 were in Coco-Cola, Spiegel-May-Stern, Homestake Mining, Wright Aero and General Cigar, in the order named. None of these was held by Lehman Corp.

Among public utilities, the company between June 30 and December 31 increased its holdings in American Gas & Electric, bought 5,100 shares of Columbia Gas & Electric, bought 2,500 Commonwealth Edison, bought 2,000 Consolidated Gas, increased holdings of International Telephone from 20,000 to 21,000 shares, bought 5,000 shares on North American, bought 3,000 United Gas Improvement. It sold a small lot of Pacific Telephone & Telegraph and reduced holdings of Western Union. It need hardly be said that if there is any profit in this substantial stake in utilities it is for the future to develop.

Some Rails Favored

Among rails holdings were increased in Atchison by 3,000 shares to 8,000, 3,900 Chesapeake Corp. were purchased; and holdings in Pennsylvania, Southern Pacific and Texas & Pacific were increased. Holdings were reduced in Southern Railway and Union Pacific.

Holdings were increased in such oils as Amerada, Atlantic Refining, Continental, Simms, Socony-Vacuum, Standard of California, South Penn, Shell Union, and decreased in Gulf Oil and Texas Corp.

The stake in chemicals was increased in Union Carbide, Dow Chemical and Atlas Powder; and slightly reduced in Air Reduction and Monsanto. Allied Chemical, du Pont and Mathieson are not on the list. Holdings in gold stocks were cut down during the six months. Among liquors, the company bought 11,000 Schenley and reduced its stake in National Distillers from 8,000 to 6,600.

Holdings of General Motors were increased by 7,100 shares and in Chrysler by 7,600. Motor accessory stocks are conspicuously missing, including Briggs Manufacturing which doubled during the year. In the building group representation was increased in Sherwin-Williams and United States Gypsum. Both in this industry and in steel the stake is very light. In electrical equipments, holdings in General Electric were reduced slightly while those in Westinghouse were increased 1,200 to a total of 12,900.

On balance, the tin container and most food stocks were favored, additions being made to holdings of American Can, Continental Can, American Sugar, Corn Products, General Mills and United Fruit. On the other hand, the stake in National Dairy and in Swift & Co. was reduced substantially.

Ten stocks most popular with first five investment trusts to report portfolio changes:

Allied Chemical
Continental Oil
Kennecott Copper
Loew's, Inc.
Montgomery Ward
National Steel
J. C. Penney
Pullman
Standard Oil of New Jersey
Swift & Co.

Holdings in Montgomery Ward and Sears, Roebuck were increased during the six months, but reduced in virtually all other merchandising issues. Other interesting sales were in Baldwin Locomotive, Collins & Aikman, Douglas Aircraft, Industrial Rayon, Lorillard, Reynolds Tobacco, Remington Rand and Sterling Products.

Among the miscellaneous issues favored with purchases or additions were American Locomotive, American Metal, American Smelting, Boeing Airplane, Congoleum Nairn, Deere & Co., General Asphalt, Loew's, Inc., Pullman, Timken Roller Bearing and United Aircraft.

The report of General American Investors shows that during the year 1934 it bought no rails, held 13,000 shares Texas & Pacific intact and reduced or eliminated all other rail holdings. It saw eye to eye with Lehman Corp., however, in adding to utilities, notably American Gas & Electric, North American and Commonwealth Edison.

Among oils it added to Humble, Gulf, Pure Oil and Tidewater, but sold Amerada, Consolidated, Continental, Standard of California, Standard of New Jersey and Texas Corp. In chemicals it reduced its stake in Allied Chemical and du Pont.

Other holdings sold or reduced included American Sugar, American Radiator, Corn Products, General Mills, Goodyear, Great Western Sugar, International Harvester, International Nickel, South Porto Rico Sugar, Sterling Products.

Issues regarded with favor during the year included American Metal, Associated Drygoods, Caterpillar Tractor, Deere & Co., Dome Mines, Douglas Aircraft, Howe Sound, Kennecott Copper, Lakeshore Mines, Loew's, McIntyre Porcupine, Montgomery Ward, National Distillers, Mesta Machine, J. C. Penney, Swift & Co., and United Fruit.

Changes in American International

During the year American International cut down heavily its holdings in utilities, rails, sugars and tobaccos, but with some interesting exceptions in rails, including substantial purchases in Atchison, Northern Pacific, New York Central and Southern Railway.

Purchases included Air Reduction, Allied Chemical, Amerada, American Radiator, Anaconda Copper, Best, California Packing, Chrysler, Commercial Investment Trust, Congoleum, Continental Can, Continental Oil, General Motors, Humble Oil, Kennecott, Libby-Owens-Ford, J. C. Penney, Pullman, Socony-Vacuum, Standard Oil of California, Standard Oil of New Jersey, Underwood-Elliott-Fisher, United Fruit, Union Carbide and United States Steel.

Selected American Shares between June 30 and November 30, 1934, sold out or reduced utilities and drugs, as well as Borden, Corn Products, Woolworth and Standard Oil of New Jersey. Purchases included Continental Oil, Hercules Powder, Homestake, Johns-Manville, Noranda Mines, Republic Steel, Servel, United States Smelting, Goodyear, Industrial Rayon, Kennecott, Otis Elevator, Swift International, Commercial Solvents, Inland Steel,

(Please turn to page 470)

Nickel's Earnings Hinge on Copper

Increasing Use of Alloys Favors Company Dominating Its Field

By George W. Mathis

NICKEL—remarkable metal. Alloyed in quantities as small as one-half of one per cent, it changes the character of steel, imparting to the commoner metal strength and toughness. Put in a little more nickel and perhaps a little chromium and one has entered that broad field of "stainless" steels. Alloy nickel with copper in a ratio of about two parts nickel to one of copper and there results a beautiful silver-like metal, as strong as many steels and possessing a rare immunity to corrosion. Nor must simon pure nickel be forgotten: while not as important as its alloys, this is extensively used for coinage, in the radio and electrical industries, and in chemicals and foods where it is desired that there should be no corrosion nor contamination.

Yes, nickel is a remarkable metal. And, as about ninety per cent of the world's production is in the hands of one company—The International Nickel Co. of Canada, Ltd.—this ought to make it a remarkable company. Perhaps it is. Certainly, it is unique—a monopoly more monopolistic than the Aluminum Co. of America and with a good deal less said about it.

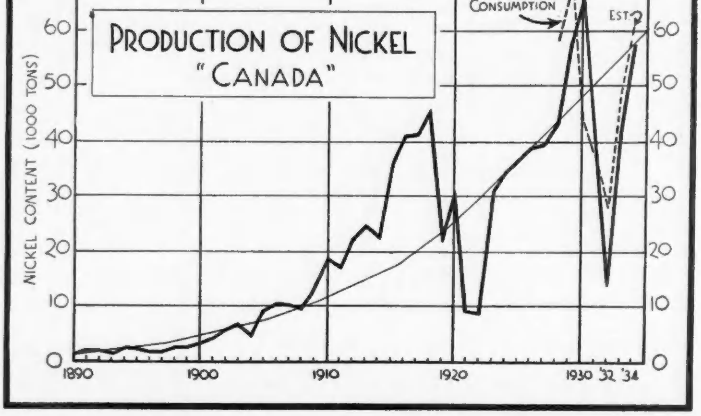
Originally, International Nickel started off as a copper mine. But there were complaints about the product. It contained "impurities" — chiefly nickel, and the company was unable to do very much about it. (Around the start of the Eighteenth Century, German and Swedish ores, apparently rich in copper, yielded something very different when smelted in the conventional manner. So, on the theory that "Old Nick" had bewitched the material, it was given the name kupter-nickel.) Thus, an Old World difficulty cropped up again in the new. However, in 1902 there were two American companies employing processes for refining nickel and what more logical than that a company with all the ore in the world and no way to purify it should pool resources with others which, although they owned little if any ore, knew what to do with it when they got it.

The business which is The International Nickel Co. of Canada, Ltd. really dates from the time of this merger, although the present corporation dates only from 1916. For years it was solely an operating company, control being American and resting with the International Nickel Co. (New Jersey).

During the War how the producers of nickel prospered! Battleships were clad with nickel-steel armor plate. Millions of men fired millions of nickel-clad bullets with the hope of puncturing one another. A pound of nickel produced was a pound of nickel sold. It was as good as gold mining today with a world gone currency crazy: better perhaps, for an ounce of gold is with us always, whereas an ounce of nickel ejected from a gun is an ounce of nickel gone forever. What a business!

Fortunately for most, although unfortunately in some respects for International Nickel, the war came to a halt. Down went the demand for nickel like a plummet: it whizzed past the ground floor like a broken elevator and ended a wreck in the sub-sub-basement. Thus, ended for International Nickel one phase of its existence. It might well have been the last for this particular company had it not had a man or two long experimenting with new uses for the metal.

The manner in which new outlets were found for nickel following the debacle at the cessation of hostilities is one of the romances of post-war industry. It rivals Commercial Solvents' butanol, a war-time by-product, which lay around in big lots until someone discovered it to be one of the most valuable solvents we have



ever known. Today, the automobile industry is the most important outlet for nickel and, incidentally, it is the pick-up in automobile production over the past year or two that has been one of the principal factors in International Nickel's better showing.

Following the automobile industry's demand for nickel for plating and alloy steels, which accounts about 20% of the total, nickel-silver and nickel-copper alloys with their multitudinous uses are the next most important source of demand. Then comes pure nickel in rods, strips, wire and tubes, accounting for about 17% of the total, used by the electrical and chemical industries and for coinage. In fourth place are alloy and stainless steels with about 15% of the total demand. The remaining 30% or so finds its way into plating, into "Monel Metal" (of which more later) into alloy cast iron, into nickel-brasses, nickel-bronzes, nickel-aluminum alloys, white gold, and into heat resistant and electrical alloys. Nickel going into armaments is not individually classified, but it is probably a fair enough guess to say that not more than 5% would fall into this category even if it were. Such, is no small change in the sources of demand compared with wartime days.

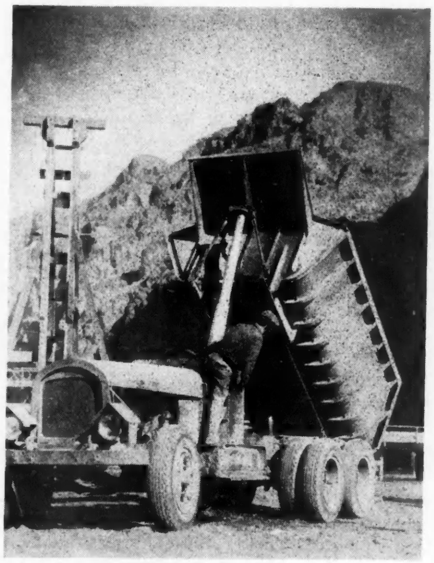
International Nickel's mining properties lie in the Sudbury district of Ontario. This is between two and three hundred miles due north of Toronto and a few miles southwest of Cobalt which over the past year or two has been the scene of quite sensational mining activity. There are a number of mines on Nickel's 100,000-acre property, of which only the Creighton and the Frood are active at the present time. However, the Garson and the Levack are fully equipped to start up at any time—in much the same manner as a public utility's standby plants can be switched on the line in the event of an exceptional load or damage to the main station.

Having mined the ore, it goes through a concentrator and smelter located at Copper Cliff. It emerges in the form of bessemer matte and blister copper. The blister copper moves on to the plant of the Ontario Refining Co., Ltd. (also at Copper Cliff and 68% owned by International Nickel) and comes out as refined electrolytic copper. The bessemer matte is sent down to Port Colborne on the Welland Canal and there resmelted, following which it is refined by elctrolysis to yield pure nickel.

On the other hand, if it is Monel Metal that the company desires rather than pure copper and pure nickel, it goes to much less trouble. In the Creighton mine there is an ore deposit

Nesmith Photo.

Prior to 1918 nickel went mainly into armaments—since, its use as an alloy in steel has expanded mightily and the automobile industry is now the principal consumer.



Courtesy, White Motor.

that contains approximately twice as much nickel as copper, instead of the usual run of ore which is twice as much copper as nickel. This special ore is processed and everything but the nickel and copper removed and: lo, here is Monel Metal, alloyed by Providence rather than mere man, as it were.

Much of the Monel Metal finds its way to the company's own rolling mill at Huntington, W. Va., or to its own foundry at Bayonne, N. J., eventually ending up as kitchen sinks, hot-water boilers, propellers and whatnot.

The picture of International Nickel's business, however, is not yet complete. Back in 1928 there was another important nickel company—Mond Nickel Co., Ltd. The latter's mines adjoined International's: indeed, they overlapped, for Mond owned part of the great Frood deposit. Where then was the sense in building two plants to work the same mine? There wasn't any, so the two merged. The merger was a big corporate shuffle. International Nickel (New Jersey) the holding company, disappeared. International Nickel (Canada) split its stock six-for-one and swapped the new stock share-for-share with Mond Nickel.

The consolidation brought to International Nickel a productive capacity about 20% as great as its own and a number of refineries, rolling mills and other plants in England, Scotland and Wales. More important still, it gave to International its present strangle hold on nickel. Not that this strangle hold has done a great deal of strangling, but there is no gainsaying these facts (1) Nickel is an indispensable metal (2) International controls 90% of the world's producing capacity and (3) the price has remained at 35 cents a pound through boom time and adversity for nearly ten years. (Big users are said to be able to obtain the metal for somewhat less than 35 cents, but the discount that they obtain today is neither more nor less than the discount they have been obtaining for years.) Apart from the fact that such price stability is *prima facie* evidence of monopolistic characteristics, it might be noted in passing that it certainly makes for a simplified inventory problem for both International and its large customers.

So far, The International Nickel Co. of Canada, Ltd. has been treated as if it were interested almost exclusively in nickel. Yet, this is far from being true—a point that it is most essential to realize. The company produces nearly twice as much copper as nickel and also important quantities of gold, silver and platinum. No figures are available as yet for 1934, but in 1933 the company sold 74,356,969 pounds of nickel, 113,682,312 pounds of copper, 21,355

ounces of gold, 876,303 ounces of silver and 77,198 ounces of metal of the platinum family. In November, 1934, Robert C. Stanley, the company's president, stated that copper production was running at the rate of more than 200,000,000 pounds a year and that approximately two pounds of copper were being extracted for every pound of nickel.

Now, in order to put International Nickel's diversified production in its true perspective, let us make an estimate or two and an assumption or two. Here, they are in the following table:

Est. 1934 sales	Est. Gross Receipts
90,000,000 lbs. nickel as such	$28,000,000
180,000,000 lbs. copper as such	13,000,000
10,000,000 lbs. Monel Metal	5,000,000
Gold	1,500,000
Silver	500,000
Platinum, etc.	3,000,000

This table is not necessarily of great accuracy, but it is accurate enough to bring out the point that metals other than nickel are almost as important to International as that from which it derives its name. A variation as small as one cent a pound in the annual average price of copper, for example, means a change of almost $2,000,000 in the Profit and Loss Account. On 14,584,000 shares of common stock this is about 14 cents a share.

Consumption Trend Up

Copper is the great variable in the picture. With general business on the mend, nickel consumption may be expected to increase, if not sensationally, at least materially. The chart accompanying shows the trend. International Nickel will obtain all of such an increase, for past history shows that any variation in world nickel consumption is reflected almost 100% in the affairs of this company. This means that the small producers of nickel go on selling all they can produce in both good times and bad while it is naturally the big seller who suffers most in depression and reaps the greatest benefit when the situation changes for the better. Now consider price: the price of nickel has been stable so long that there is not the slightest present likelihood of its being changed. What has been said of nickel applies with even greater force to gold and somewhat less markedly to silver and platinum. This leaves only copper.

International Nickel's copper production depends upon the demand for nickel and will continue to so depend except in the most unlikely event that the price of copper went so high that it would pay to mine it for itself and consider nickel as a mere by-product. Under present conditions, therefore, the outlook is for a moderate increased copper production. This copper must be sold in world markets, moving nakedly right into the teeth of an icy competitive blast from South African, South American and even American copper. Currently, International Nickel is selling its copper around 6¾ cents a pound, delivered at European ports—a price which is 2¼ cents a pound under the American "Blue Eagle" figure of 9 cents.

The Copper Factor

In one sense—because, as has been said, it is the greatest variable in the picture—International Nickel Co. of Canada is more a copper company than a nickel company, making it worthwhile to pause a moment and glance at copper's statistical position. World stocks of refined copper last January 1 were reported to be 988,500,000 pounds with North and South American holdings between them about 746,500,000 pounds. Over the year, this represents a reduction in North and South American stocks of 312,000,000 pounds and an *increase* in outside stocks of 7,000,000 pounds. World consumption last year was something in excess of 3,000,000,000 pounds, a gain of about 40% over the consumption of 1933.

The general copper picture therefore may be said to have brightened somewhat. From the point of view of the foreign producer, however, it would be the brighter still except for the fact that the American market, which is the greatest single outlet, is closed by a 4-cent tariff. At the same time, while closed to imports by the tariff, the American market still is very much open when it comes to exports and with these the foreign producer still has to compete. Moreover, out-and-out copper producers generally are operating far below capacity, so that any material increase in the world price for the metal might well be followed by such an increase in production as to immediately cause a reduction in the quotation.

About the only development, it would seem, that could materially and for any length of time raise world copper prices is some kind of production agreement, properly enforced. This has been tried before. There is talk of trying it again. It has been tried, and the world is still trying, with a dozen other commodities and there still lacks a successful precedent. Thus, the prospect of an increase in the world price of copper cannot be said to be bright. Of course, should the American tariff, which expires next June 30 not be renewed it might result in a price somewhere between the then existing world price and the American 9-cents-a-pound level. Even this, however, is problematical and, should it occur, might be of short duration.

On the other hand, a sharp drop, say a cent or more a pound, in the world price of copper does not appear to be a development that should be particularly feared. Irregular as it may be, general business abroad continues to improve. Copper consumption is up and may well go higher before the end of the year is seen. This should be an important supporting influence on the price and tend to offset a continuance of the cut-throat tactics of foreign producers.

Earnings Outlook

Translating these conclusions into terms of International Nickel's common stock, it means that nothing sensational is likely to happen to per share earnings this year. For the first nine months of 1934, the company reported, after preferred dividends, earnings of 86 cents a share on the common. For the full year 1934 about $1.20 will be reported. For 1935 the expected increase in output, coupled with the relative stability in selling prices that is anticipated, should lift this showing to the neighborhood of $1.75—perhaps even $2, but this is probably optimistic.

It is naturally understood that this estimate would have to be revised *should* the price of copper change materially. Also, revision would have to be made in the event of another upheaval in world currencies. But from all that can possibly be known now, $1.75 appears a fair guess. The next step: does it make a stock selling at $23 a share worth the money?

Certainly, it does not place International Nickel common on the bargain counter. After all, the $1.75 is not actually being made, but is prospective: $1.20 or so a share is all that will be shown for 1934. Paying dividends at the rate of 60 cents a share annually, concrete evidence that next year's expectations are to materialize might result in the establishment of a dividend rate between $1 and $1.20. If the former, the yield on the capital invested would be approximately 4.3% and if the latter approximately 5.2%. But this is not a great return and certainly no more can be expected *this* year.

There are, however, other considerations, justifying an appraisal tending towards the liberal. Remember, the company has just finished spending millions of dollars to develop the Frood property. The mine has proved to be one of the world's really great ore bodies and the reserves are incalculable.

(*Please turn to page* 474)

Profit Prospects in Companies With Small Number of Outstanding Shares

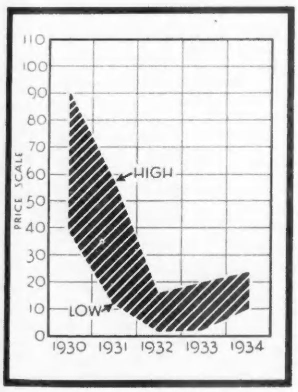
SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Given a favorable industrial trend and a soundly managed enterprise, more rapid appreciation will take place when the number of outstanding shares is relatively small than when the number of shares is up in the millions.

General Refractories Co.

THE advantages of a small stock capitalization in a period of general recovery are well demonstrated in the case of General Refractories Co. In the first nine months of 1933, the company earned 16 cents a share on the 250,206 shares of common stock then outstanding, although total profits amounted to only $40,400. In the same months last year, profits rose to $501,041 and were equivalent to $1.58 a share on 317,739 shares of common stock. For the full 1934 year, the shares probably did not fall far short of earning $2.

General Refractories is the second largest company engaging in the manufacture of fire brick and other heat-resisting materials used for lining furnaces, coke ovens, boilers, refining retorts, etc. The nature of the company's activities is such that they depend heavily upon replacement demand, which in turn is governed by the output of the principal users of refractory materials. As a result in 1932, at the depth of the depression, sales fell to the lowest level in years and the company suffered an operating loss of nearly $500,000, and a net loss of about $1,000,000.

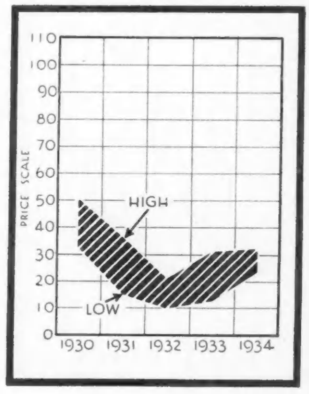


Notwithstanding the fact that this drastic decline in profits came in the wake of net income totalling $236,800 in 1931, $2,136,000 in 1930 and over $2,500,000 in 1929—the peak of a five-year uptrend—the company was ill prepared to meet a $5,000,000 maturity of 5% notes which came due on March 1, 1933, and heroic measures were called for. The situation was met by offering a new issue of first mortgage 6% cumulative income bonds in exchange for the notes and some $320,000 of bank loans. Each bond, in addition to being a first mortgage on all of the company's property, carried a non-detachable warrant entitling holders of each $1,000 bond to purchase at $5 each, voting trust certificates for 40 shares of stock at any time during the life of the bonds. The mortgage indenture stipulated that no dividends could be paid on the common stock while any of the bonds remained outstanding. As a result of these various features, the bonds were acceptable to the holders of maturing notes and the company was able to surmount a serious problem.

With the improvement in earnings has come a substantial strengthening in the company's finances. In fact, so much so as to lend no little credence to the rumors that consideration is to be given to the refunding of the bonds, now outstanding in the amount of $4,700,000. With nearly $1,000,000 in cash and with earnings registering marked improvement, it is altogether likely something definite in this connection will be forthcoming in the near future. Such a move would be subject to constructive interpretation from the standpoint of common stockholders, inasmuch as it would doubtless be followed by the payment of at least a modest dividend. At recent quotations around 19, the shares are reasonably appraised, and given further improvement in the basic industries this year, another substantial increase in the company's earnings is readily conceivable.

McCall Corp.

At the peak of the company's earnings in 1929, McCall Corp. earned $3.75 a share on its common stock. In 1932, when the depression was at its worst, the shares earned $2.13 a share. Considering the serious financial and general economic conditions which existed during this period, the company's showing may be regarded as rather exceptional, and, incidentally one to which its modest capitalization was an important contributing factor.



The company has no funded debt or preferred stock outstanding and the 539,360 shares of common stock comprise the complete capitalization. Thus the payment of the $2 dividend currently in effect requires only $1,078,720 annually, an amount which was earned with a margin to spare in the leanest year of the depression—1932. In 1933, profits gained slightly and the stock earned $2.17 a share and with earnings of $1.43 a share in the first six months of 1934, it is quite probable that profits for the full year just past were in the neighborhood of $2.50 a share.

McCall Corp. publishes McCall's Magazine and Red Book, as well as several publications dealing with fashions,

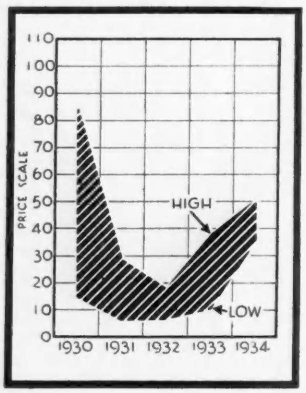
homemaking and other subjects of interest to women. The company also makes dressmaking patterns and income from this latter source normally accounts for about one-fifth of the total. The company's various publications have an extensive market in foreign countries as well as in all parts of the United States.

The business of publishing popular magazines is subject, on the one hand, to the changes in consumer purchasing power in the maintenance of circulation, and, on the other, to general business conditions for advertising revenue. McCall Corp. cannot claim immunity from these conditions but the fact that McCall's Magazine enjoys the largest newsstand circulation of any women's magazine has been a vital factor in sustaining both sales and advertising revenues. Important operating economies likewise were not without important effect.

Finances are adequate, in fact sufficiently so, to suggest that with any further improvement in earnings, dividends could be advanced to $2.50 annually. Current assets as of June 30, last, amounted to $3,458,000,230, while current liabilities stood at only $706,015. The present dividend has been maintained during the past two years, having been twice reduced from $2.50 rate in 1930-31. The shares, while obviously not the type of issue which can be accorded much in the way of dynamic possibilities, nevertheless, offer sustained earning power and a liberal income return. At 30, the yield is better than 6.5%.

United Carbon Co.

If profits of the United Carbon Co. for the past year do not actually exceed those shown by the company in 1929, and establish a new high record, the difference is bound to be a slight one. In the third quarter last year, the company showed a net profit of $318,040, comparing with $240,935 in the third quarter of 1929. On the basis of profits of $988,413 for the first nine months of 1934, it remains to be seen whether the fourth quarter produced earnings sufficient to lift the total for the year above the former record high of $1,314,000 in 1929. Only a modest gain in fourth quarter net, over that for the third quarter, would be required to exceed the latter figure. Even if the company failed last year to achieve a new earnings record, the performance will be scarcely the less interesting in a year in which the great majority of business enterprises came nowhere near their boom-time profits.



Although engaged primarily in the production of carbon black, a product for which the price and demand are subject to marked variations, the company has reduced materially its dependence upon this phase of its activities through the broad expansion of its natural gas acreage, and increased sale of gas to utility interests. The resulting greater stability of earnings coupled with the correction of the carbon black industry's unwieldy surplus stock position and a rapid recovery in carbon black prices from a level which for some time had been below the cost of production, account chiefly for the company's excellent profits.

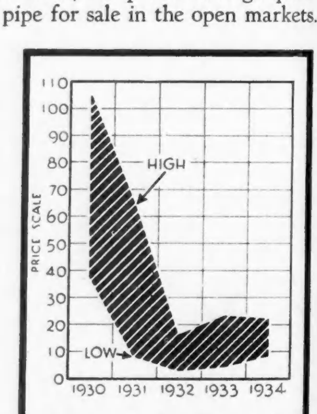
Sales of natural gas, produced in substantial quantities in West Virginia, Kentucky, Louisiana and Texas, while showing a marked increase hold promise of further gains. The long term possibilities in this field invite romantic forecasting although it must be borne in mind that gas rates to the consumer are subject to political control and hence may at any time react unfavorably upon the wholesale price received by United Carbon, which, of course, is not a distributor of utility service.

Reflecting the company's improved position, it was able to retire its issue of $1,477,950 in 7% preferred stock last July, leaving capitalization consisting solely of 370,127 shares of common stock. This operation was stated to have involved bank loans of $1,000,000, but the balance sheet of September 30, last, shows notes payable reduced to $750,000, so that it appears nearly half of the funds required to retire the preferred stock were supplied by earnings. Because of the small number of common shares outstanding, per share net is inherently subject to relatively wide variations, naturally reflected in corresponding market fluctuations.

Paying a record high dividend of $2.40, the shares at 47 yield about 5%, and while not apparently undervalued on the basis of present earnings of around $3.50 a share, they have interesting speculative appeal for the investor whose viewpoint is adjusted to longer term potentialities.

Foster Wheeler Corp.

Foster Wheeler Corp. engages in the design and construction of complete steam generating units, steam evaporator and condenser equipment, petroleum refineries and natural gasoline plants. Embracing two principal divisions, steam plants and oil refinery equipment, supplementary products cover a wide range of supplies and equipment. A tube mill, operated to supply the company's needs for condenser tubing and other needs, also produces large quantities of brass and copper pipe for sale in the open markets. The company has developed also a vacuum refrigeration system and this is considered an important source of additional business because of the increasing activity in industrial process cooling and general air conditioning work.



For the most part the company's business is transacted with the large public utility, industrial and petroleum companies, with the result that the risk of loss on receivables is greatly mitigated and, moreover, the company is under no compulsion to carry large inventories inasmuch as the bulk of its installations primarily are contracted for from blueprints. Although the major portion of Foster Wheeler's business is transacted in this country, for which large plants are maintained, foreign orders bulk heavily and subsidiary plants are located in Canada and England.

Clearly in the capital goods category, the assumption is that the company requires a definite revival of new plant construction and renovation to restore profits to a point comparable with the average for the pre-depression level. Despite the continued restriction in the demand for heavy capital materials, however, the company has already made notable progress toward recovery, and, like many other

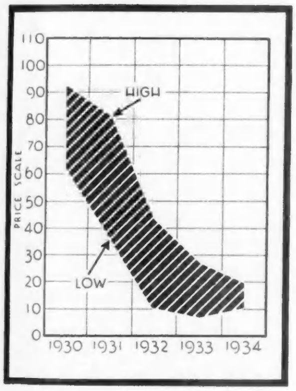
well conducted organizations, economies and greater efficiency introduced during the past several years should enable it to show good earnings results on a smaller volume of business than formerly. In other words, the company's paypoint is doubtless much lower and earnings could rise rapidly once it is passed.

Late sales and earnings data are not available but in the first six months of last year, orders were double those for the same months of 1933, and in September were reported to be running 50% ahead of 1933. In the first half of 1934, the company had a loss of $460,125, and losses in the years 1931-33 inclusive aggregated $2,781,000. In 1930, a record year for the company, earnings on the common stock amounted to $6.34 a share.

Ahead of 241,181 shares of common stock outstanding, are 17,518 shares of 7% preferred stock on which dividends totalling $13 a share have accumulated. The company's finances have been maintained in a strong position and once operations have turned definitely profitable, the liquidation of accumulated dividends on the preferred stock would present no difficult problem. The shares, although frankly speculative, afford a stake in a field where the degree of recovery has been meager but at the same time, one where the potentialities bulk large. These potentialities are recognized to some extent in the current market appraisal of the shares but at 15, they still have definite appeal as a speculation in the recovery of the heavier industries.

Beatrice Creamery Co.

Unlike the other principal branches of the food industry, companies identified with the dairy products division failed to share the same measure of stability which characterized the industry through the depression. Consumption was adversely affected by depleted public purchasing power and increasing pressure was brought to bear on the prices of principal dairy products by abnormal production.



As a consequence, dollar sales and earnings of the principal dairy products companies fell to a new level in 1933, whereas recovery tendencies were in evidence in practically all other major industries.

Last year, however, the drought caused an acute shortage of feed grains accompanied by a considerable reduction in the production of milk, butter and cheese. Prices of these commodities rose and consumption was somewhat larger. Relieved of inventory losses and having the benefit of larger sales, dairy companies belatedly joined the recovery procession.

Beatrice Creamery Co. is the third largest unit in the dairy products field. The company operates plants and distributing branches in 135 cities located in 24 states. Its products, which include all of the principal dairy items, are marketed under the familiar trade names of "Meadow Gold" and "Holland." Butter, however, is the most important of these, with milk, eggs and ice cream ranking next in approximately the order named.

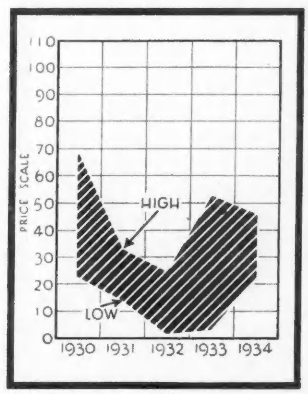
Prior to the 1933 fiscal year Beatrice Creamery Co. had had a long record of stable and profitable operations. In that year, however, adverse conditions resulted in a substantial decline in sales volume and net income was equivalent to only $4.03 per share on the 7% preferred stock. In the fiscal year ended February 28, 1934, a moderate improvement was shown but net income was not sufficient to meet preferred dividend requirements, being equivalent to only $4.63 per share on the senior stock. Despite the sharp falling off in earnings, the management has continued to make liberal charges for depreciation and at the end of the last fiscal period an exceptionally strong financial position was shown. Cash alone of over $5,200,000 was more than six times current liabilities of $825,000.

The improved conditions of the past year are clearly evident in the company's report for the nine months to November 30, last. Net sales for that period totalled $14,517,561, as compared with $11,167,625 in the same months of 1933 and net income amounted to $946,989 as against $255,609 in 1933. Applied to the 377,719 shares of common stock the former amount was equivalent to $1.02 a share, after allowance for preferred dividends, while the latter figure amounted to only $2.27 on the 109,232 shares of preferred.

As late as the 1932 fiscal year, the company's common stock earned $3.54 a share, and in the 1930-31 fiscal year profits amounted to $7.12 a share on the common. In view of the fact that the company has not been obliged to defer dividends on the preferred shares and has maintained finances in a strong position, payments on the common could be easily resumed following any sustained period of better earnings. While it is somewhat early to declare the industry to be definitely rid of its problems, at least progress is being made in the right direction and the prospect of any serious reversal appears sufficiently removed to lend more than average degree of speculative interest to the shares of Beatrice Creamery, currently quoted at 17. Further, the company is approaching the months when its business is seasonally stimulated, a condition which might conceivably find favorable reflection marketwise.

Bayuk Cigar Co.

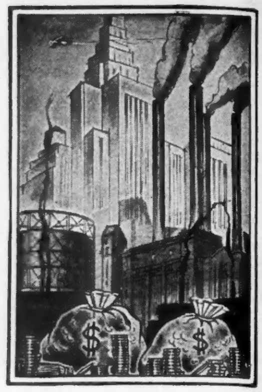
In 1933, there occurred a definite reversal for the better in the earnings of the Bayuk Cigar Co., and in 1934 profits attained truly notable proportions. In 1932, the company operated at a loss; in 1933 the common stock earned $5.11 a share; and for the past year it is calculated that profits were equal to about $8 a share on the common. Of course, the fact that the company has only 94,485 shares of common stock outstanding has contributed to the sharp rise in per-share results but against this is the fact that the company's achievements were made in the face of keen competition and increased operating costs.



Bayuk Cigar Co. manufactures several brands of 5-cent cigars and one medium - priced brand. These products have national distribution, although the company's principal distributing centers are in the densely-populated sections of Pennsylvania, northern New Jersey and New York. Production is concentrated largely in two brands, "Bayuk Phillies" and "Havana Ribbon," both 5-cent brands. Prior to 1933, however, "Bayuk

(Please turn to page 473)

For Profit and Income



End of the Year Reports Begin to Arrive — Profits Generally Well-Maintained

Procter & Gamble Co.

Seventy-five per cent in the soap business and 25% in foodstuffs (mostly cottonseed oil derivatives, of which it is the largest producer in the world) Procter & Gamble reporting for the quarter ended December 31, last, showed a profit of $5,423,461. After setting aside $1,965,000 for "price equalizaton," the earnings applicable to the common after dividends on the preferred stocks was equivalent to 50 cents a share on each of the 6,325,087 shares of no-par stock. In the preceding quarter 61 cents a share was earned, making $1.11 for the first six months of the company's fiscal year.

While it may be that Procter & Gamble has no place on this page which implies a discussion of *annual* reports, the interim statement contains a feature so interesting as to completely justify its inclusion. This feature is the $1,965,000 set aside for "material and products price equalization," a fund, according to R. R. Deupree, the company's president, "created in recognition of the fact that inventory profits due to rising prices usually are followed by inventory losses when prices fall." This is a possibility much less generally recognized than it should be. Investors have bought many stocks on the basis of an "inventory profit," when it is quite debatable whether there can ever be such a thing. By deliberately setting aside a portion of profits before stating the amount available for dividends, Procter & Gamble is avoiding the possibility of overstating its real earning power. National Lead has the same objective as a permanent policy, which it achieves by a "normal inventory system, thereby tending to keep almost all fluctuation in the price of inventory out of the Profit and Loss Account.

* * *

Liggett & Myers

The second of the large tobacco companies, Liggett & Myers (Reynolds was the first) has just made public its earnings for 1934. Profits totalled $20,086,690 which was equivalent, after dividends on the preferred stock, to $5.92 a share on the combined common and common "B" stocks. Last year, the company showed $4.84 a common share. The most recent report was the more gratifying because of the fact that processing taxes on tobacco during the year were somewhere in the neighborhood of $7,000,000. In other words, but for these taxes Liggett & Myers' earnings would have been about $2.50 more and surpassed the 1930 record of $7.15 a share. The feature of the balance sheet as of December 31, 1934, was the tremendous increase that took place over the year in tobacco inventory. This item rose more than $31,0000,000, most of the funds evidently being provided by the sale of government and municipal bonds, for the latter decreased more than $25,000,000. The increase in tobacco consumption may have played some part in the necessity for having larger inventories, but by far the most important factor has been the great increase in tobacco prices.

* * *

Du Pont

Final figures for this company are not as yet available, but a preliminary calculation subject to verification by independent public accountants shows that earnings for last year were equivalent to $3.66 a share, of which $1.36 a share represented what was received as dividends on the investment in General Motors. In 1933, du Pont earned $3 per share on common stock, of which $1.14 a share came from General Motors. A stockholder perhaps will be more gratified to see that his company's own immensely diversified business yielded larger profits than that the income from General Motors increased.

* * *

Miscellaneous Reports

The Chesapeake & Ohio Railway continues its remarkable depression record. For 1934, a preliminary report shows earnings equivalent to $3.65 a common share, compared with $3.67 shown for 1933. United Corp.'s annual report reveals something of the fierceness with which its utility holdings have been attacked. Earnings were 17 cents a common share, compared with 24 cents in 1933, while the equity, (*Please turn to page* 469)

Coming Dividend Meetings

Company	Approx Date	Probable Action (on the common)
Atlantic Refining	Feb. 8	Regular 25 cents
Atlas Powder	Feb 6	Regular 50 cents
Chrysler Corp	Feb 1	Regular 95 cents
Columbian Carbon	Feb. 5	Regular 85 cents
General Motors	Feb 4	Regular 25 cents
International Nickel	Feb 4	More than usual 15 cents
Jewel Tea	Feb 5	Regular 75 cents
May Dept. Stores	Feb 7	More than regular 40 cents
National Sugar Refining	Feb 11	Regular 50 cents
Penick & Ford	Feb 13	Regular 75 cents
Seaboard Oil of Del	Feb 13	Regular 15 cents
Socony-Vacuum	Feb 5	Usual 15 cents
Standard Oil of Indiana	Feb 4	Regular 25 cents
Timken Roller Bearing	Feb 5	Regular 25 cents
Underwood-Elliott-Fisher	Feb 14	More than regular 50 cents
Union Pacific	Feb. 14	Regular $1.50

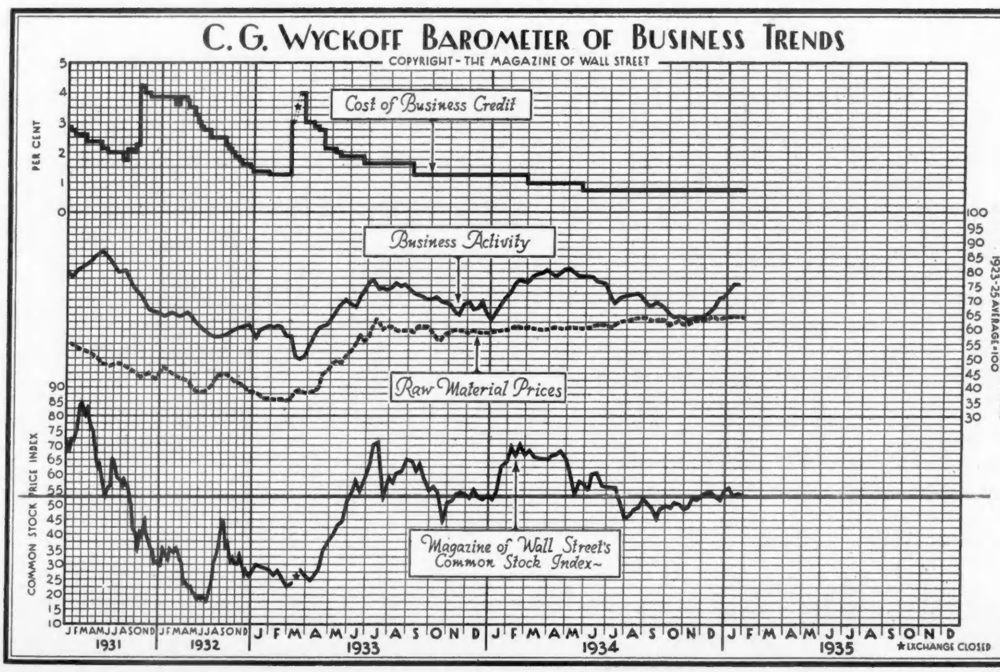
Taking the Pulse of Business

—Motor Production Jumps
—Steel Operations Gain
—Retail Trade Slackens
—Purchasing Stimulus Needed
—Prices Generally Firm

LED by rapid expansion in automobile production, which has already reached close to 90% of normal, our Business Activity index has risen sharply to above 75% of the 1923-5 average which represents a gain of close to 20% since the last week in November. Obviously this rapid rate of improvement can not be continued indefinitely; for, if maintained until summer, conditions would be back to normal—an outcome which not even the wildest optimist could expect. In fact there are several considerations which suggest that the present boomlet may not be altogether spontaneous; but rather prompted, in part at least, by a race to stock up before the Automobile Code comes up for renewal on February first. Gains during the past two months among the major industries which enter into the business activity indexes have been most conspicuous in steel, automobiles and textiles, where labor trouble is feared. In other lines the improvement has been little better than seasonal—except for electric power, where demand is being stimulated by a rapidly expanding use of electric appliances. Coal output and, consequently, carloadings have been held back by unseasonably warm weather; but will doubtless pick up again during the present cold snap.

But, while our Business Activity index, for reasons just mentioned, has been advancing at an abnormally swift rate, there are indications here and there of slackened acceleration in directions where improvement up to now has been most consistent. Department store sales, for example, in the New York metropolitan area for the first half of January were 1.1% lower than for the corresponding interval last year. Construction contracts awarded in December came to only 45% of the amount for December of 1933; while farm income during November was only 7% ahead of the previous November, as compared with a 19% gain in October. Then again, according to THE MAGAZINE OF WALL STREET's indexes, both employment and business payrolls in November made a slightly unfavorable comparison with the previous year for the first time since the nation-wide banking holidays immediately following inauguration of President Roosevelt. These are all signs of a halt in the expansion of purchasing power which has been in progress for almost two years under the spur of emergency medicine administered by New Deal agencies, and it would not be surprising if this pause in the expansion of public purchasing power were to be followed before long by some check to the expansion in business activity. Very likely such a set-back, if it does appear, will be of minor character and relatively short duration; because Congress will soon authorize a still bigger spending program which should get underway by spring or summer, and gain much headway during the second half of the current calendar year.

It is probably considerations such as these which have prevented the Common Stock Index during the past few months from responding with customary enthusiasm to the marked upturn in general business activity; since it is only



within the past few weeks that investors have shown concern over threatened labor trouble in key industries, or worried over what decision the Supreme Court may hand down next month in the important gold clause cases.

The reaction in our Common Stock Index during the past few weeks has, of course, been brought about by a number of additional adverse influences, including instigation by the Government of a suit for conspiracy against leading motion picture companies, introduction of rather disturbing legislation in Congress, rumblings of coming labor trouble, and fears that an adverse decision by the Supreme Court in the gold clause cases might lead to revaluation of the dollar and a resumption of deflation. We do not believe that such will be the outcome; but fears of the pending decision have also caused weakness in foreign currencies and staple commodity futures and low grade bonds; though our index of Raw Material Prices, based upon spot prices, has thus far failed to give ground.

The Trend of Major Industries

STEEL—With exception of railroads and construction, orders from other consuming industries have been coming in so fast that the steel ingot rate has risen to around 50% of capacity and most companies are again operating in black ink—for the time being at least. Canners, automobile manufacturers and agricultural implement makers are at present the star customers at steel mills. Canners are now operating at 65% of capacity, automobile production is running close to 90% of normal for this time of year, and agricultural implement makers are doing so well that most leading companies in that industry expect to make substantial payments this year on account of dividend arrears on their preferred stocks. Steel plants at Detroit are operating at 71%, Cleveland holds at 82%, and the Wheeling district has risen to 90%. Pittsburgh, representing miscellaneous demand, has just advanced 6 points to 33%. The trade is beginning to wonder, however, if a peak will be reached temporarily in February.

METALS—The Government continues to acquire silver at the average rate of recent months, but without bidding actively for the metal; so that the price for some weeks has held notably steady within a range of 54 to 55 cents. It is believed that an end has now been reached to the downward trend in tin consumption which has been in progress since the middle of last year; especially on account of observed improvement in consumption by Canada, Russia, and Japan. Nickel exports from Canada in December were slightly lower than in December, 1933. Primary producers of copper have agreed to extend quota agreement giving sales preference to 75% of secondary and custom tonnages. Price changes in non-ferrous metals recently have been trifling.

PETROLEUM—Texas oil producers are "being good" in order to convince Congress that no Federal control is needed in that State. True, hot oil has risen to 22,000 bls. daily, from 11,000, since the courts shooed off the Federal Tender Board; but production of crude for the entire state is being held beneath the Federal allowable, the while all other states are racing to see which can exceed its quota by the widest margin. Refusing to be convinced by the touching self-restraint of Texas, Congress is already considering several bills to put constitutionally sound teeth into Federal enforcement of proration. Meanwhile most leading producers and well-integrated companies are making fair profits; while refiners who must buy crude complain of the narrow spread within which they have to operate.

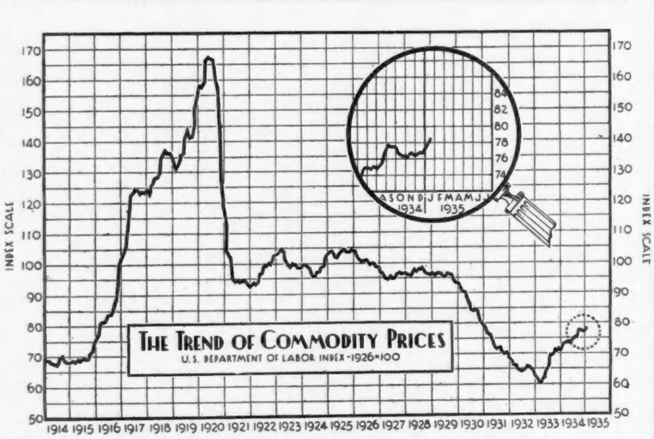
UTILITIES—Sales of electricity to domestic consumers in November were the greatest for any like month on record, and 8.1% ahead of the previous November compared with a gain of only 4.8% in electric output for all purposes.

CHEMICALS—Increased activity in textiles—particularly rayon; satisfactory glass consumption in the bottle making and automobiles industries; and recent price increases in chlorine, large quantities of which are used in purifying sewage and drinking water, are causing the alkali makers to start the current year with conditions materially better than in the final half of 1934.

AVIATION—Number of passengers carried by airplanes in November exceeded those of the preceding November by 9.2%, the first increase since April on a yearly comparison basis. Other comparisons of November with the previous year show an increase of 27.4% in passenger-miles and an increase of 29.8% in express poundage.

Conclusion

Though the physical volume of production, distribution and trade has been expanding during the past two months with exceptional rapidity—partly owing to efforts to stock upbefore labor trouble can interfere with production—there are indications that expansion in public purchasing power has about reached its limit for the time being and that some slowing down in business may break temporarily the longer term trend toward recovery until the Government's new spending program begins to take effect in the late spring and summer. Stocks, commodity futures, and second grade bonds have weakened recently under fears of devaluation and deflation; but high grade bonds, especially those containing a gold clause, have continued firm under influence of the extremely low Cost of Business Credit.

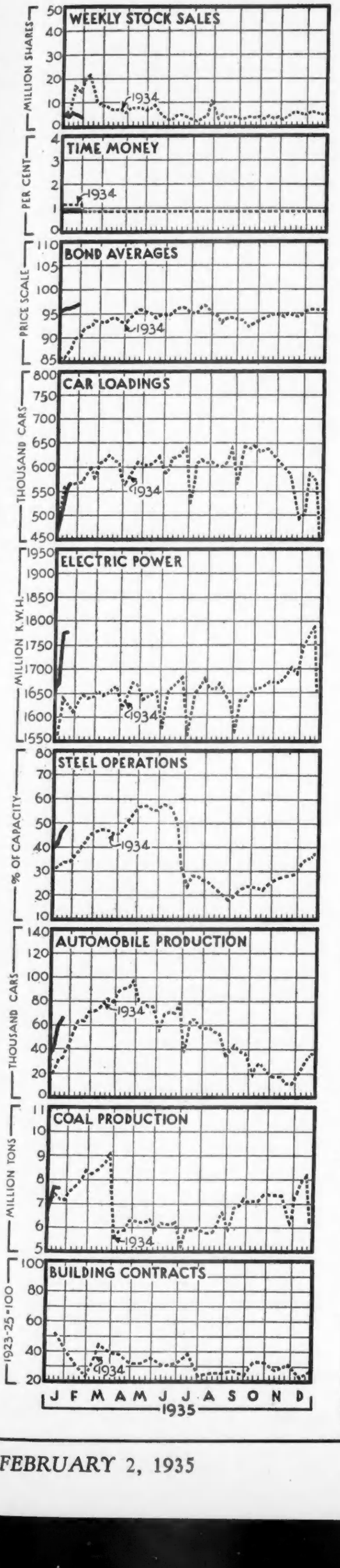


Changes in Major Commodity Price Group for the Week Ended January 12, 1935

Farm Products	up 1.6	Metals	no change
Foods	up 1.2	Building materials	up 0.2
Hides and leather	up 0.1	Chemicals	up 0.4
Textiles	no change	Housefurnishings	down 0.1
Fuel and lighting	up 0.1	Miscellaneous	up 0.1

The Magazine of Wall Street's Indicators

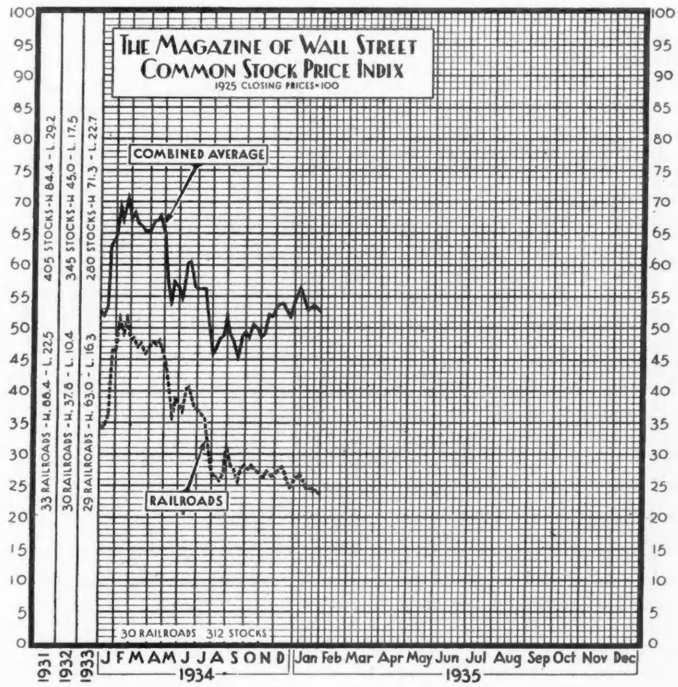
Business Indexes



Common Stock Prices Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	Jan. 12	Jan. 19	Jan. 26
71.2	45.0	54.6	288	COMBINED AVERAGE...	56.4	52.8	52.8	53.8	52.9
105.7	44.2	87.0	5	Agricultural Implements....	88.1	78.9	78.9	83.9	83.4
42.3	20.2	27.1	6	Amusements..............	27.1	23.7	23.7	25.1	25.9
58.9	35.2	55.5	13	Automobile Accessories....	57.4	53.3	53.3	56.0	54.7
24.9	11.8	14.2	13	Automobiles..............	16.8	13.7	14.1	14.2	13.7
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)....	60.1	55.7	55.7	59.0	57.8
17.4	8.7	9.2	3	Baking (1926 Cl.—100)......	9.2	8.6	9.1	9.1	8.6
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)..	193.7	185.4	185.4	190.2	189.5
136.0	100.0	131.6	4	Business Machines.........	133.4	125.5	129.0	126.6	125.5
229.5	178.9	227.5	2	Cans.....................	230.8	226.1	226.1	227.7	229.7
210.5	134.3	167.2	8	Chemicals................	169.9	161.1	161.5	162.1	161.1
37.2	22.1	28.8	16	Construction..............	31.4	28.8	28.9	29.1	29.0
70.1	40.1	43.8	5	Copper...................	47.2	43.3	43.7	44.1	43.3
37.0	25.7	32.0	2	Dairy Products............	33.1	31.5	31.7	32.2	31.5
26.8	16.4	21.2	8	Department Stores.........	22.7	20.4	20.4	22.7	21.4
84.2	56.0	73.1	7	Drugs & Toilet Articles.....	73.1	69.3	70.2	70.7	69.3
91.3	59.1	78.7	3	Electric Apparatus.........	80.7	76.4	76.4	80.1	80.7
211.2	103.8	211.2	2	Finance Companies........	221.1	211.2	219.2	219.0	221.1H
64.0	51.1	58.3	7	Food Brands..............	59.3	57.4	57.8	58.1	57.4
71.1	55.1	55.7	4	Food Stores..............	56.4	50.8	53.6	52.2	50.8
58.8	36.2	45.4	3	Furniture & Floor Coverings	45.4	43.0	43.0	44.3	43.9
1372.0	1106.0	1164.9	3	Gold Mining..............	1170.7	1062.4	1110.0	1090.0	1062.4
35.6	25.1	35.6	5	Household Equipment.....	37.0	35.4	35.4	36.9	37.0H
31.8	19.3	20.8	4	Investment Trusts.........	20.8	19.3	19.6	19.9	19.3
295.5	164.0	247.0	3	Liquor (1932 Cl.—100).....	273.9	247.0	255.8	263.0	264.3
53.4	34.2	44.2	2	Mail Order...............	44.7	39.3	41.4	40.8	39.3
88.6	51.9	62.0	3	Meat Packing.............	62.2	56.4	57.7	56.4	58.9
160.1	117.4	127.8	11	Metal Mining & Smelting..	131.3	119.2	121.1	121.3	119.2
86.8	52.0	58.2	23	Petroleum................	60.2	56.4	56.4	56.4	56.9
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.0	19.2	19.2	19.5	20.0
72.8	32.1	34.8	18	Public Utilities...........	34.8	33.4	34.5	33.7	33.4
66.2	34.9	43.9	8	Railroad Equipment.......	43.9	42.2	42.2	43.5	42.4
52.0	24.5	25.8	25	Railroads................	26.7	23.6	24.4	24.5	23.6
15.9	6.0	8.8	3	Realty...................	8.9	8.2	8.3	8.3	8.2
50.2	28.9	41.6	3	Shipbuilding.............	43.4	38.5	39.7	40.9	38.5
77.0	42.0	54.4	10	Steel & Iron.............	57.4	51.4	51.4	57.4	54.0
31.3	20.4	22.2	5	Sugar....................	23.6	21.5	21.5	21.8	22.1
214.0	131.5	143.2	2	Sulphur..................	143.2	131.4	136.0	141.0	131.4
70.3	40.2	45.2	3	Telephone & Telegraph....	45.4	43.4	43.4	43.7	44.4
65.8	37.5	47.8	8	Textiles.................	50.4	45.7	48.4	47.5	45.7
14.6	7.6	9.0	5	Tires & Rubber...........	9.3	8.4	8.4	9.3	8.9
88.6	66.5	84.7	4	Tobacco..................	87.6	82.7	82.7	84.0	83.4
73.5	43.5	65.0	3	Traction.................	66.8	62.4	62.4	62.9	63.9
275.5	43.6	258.2	3	Variety Stores............	258.2	237.1	237.1	242.6	245.8

H—New HIGH record since 1931.



(An unweighted index of weekly closing prices; compensated by stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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2. Confine your request to *three listed securities.*
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REMINGTON RAND, INC.

I have been advised to buy Remington Rand common. Before acting, however, I would like your advice and any details you might care to give me about its speculative and investment possibilities.—E. S. L., New York, N. Y.

Remington Rand, Inc., has so diversified its operations during recent years that it is now in a position to supply almost every type of equipment employed in the modern business office. Products include such items as typewriters, filing cabinets, accounting machines, office furniture, and numerous accessories and supplies. Sales of typewriters and the supplies related thereto contribute the largest portion of earnings. Naturally, economies necessitated by the depression led to a sharp drop in sales, but these have recently responded to the business recovery in evidence both in the United States and abroad. Net income for the fiscal year ended March 31, 1934, amounted to $1,264,941 in contrast with the deficits of $2,581,030 and $3,035,753 for the preceding two fiscal years. For the six months ended September 30, 1934, the company reported net income of $389,600, against $109,566 for the comparable period of 1933. Costs have been increased under the N R A, but the advance in typewriter prices last October, coupled with a further improvement in sales, is expected to enable the company to show earnings for the fiscal year to end March 31, next, considerably above those of the preceding year, when the equivalent of one cent a common share was reported. Financial condition, according to the balance sheet dated September 30, 1934, was excellent, with total current assets of $23,830,122, including cash alone of $4,496,130, comparing with current liabilities of $2,457,340. Unless there is a decided change for the worse in the general business situation, the company should soon be able to pay off accumulations on the 7% 1st preferred, as well as on the 8% 2nd preferred. Because of the company's distinctly favorable earnings outlook, we regard its common stock as reasonably priced around current quotations and would see no reason to oppose speculative commitments therein.

SUN OIL CO.

I will appreciate your views on the outlook for Sun Oil, particularly with respect to the unsettlement in the oil industry. What are your views on its near- and long-term prospects?—E. M. M., Bryn Mawr, Pa.

While not one of the largest units in the petroleum industry, the earnings record of Sun Oil Co. has been consistently better than average. One reason for this has been the company's policy of keeping down cash payments to stockholders, making up the approximate difference between these and earnings through stock dividends. The company has thus been able to constantly increase its physical assets without proportionately increasing the amount of bonds and preferred stock outstanding. Its refining and distributing facilities are well situated to serve the densely populated northeastern section of the United States, as well as parts of Canada. Lubricants are widely distributed in Europe, South America, Australia and the Far East. The company concentrates on one brand of gasoline, "Blue Sunoco", for which an ever-increasing demand has been built up, both because of its reputation for performance and an aggressive advertising program. An active research department is maintained, which is constantly endeavoring to improve the quality of both its gasoline and lubricants. A degree of diversification is obtained through ownership of the Sun Shipbuilding & Drydock Co. Crude oil reserves are more than sufficient to supply refinery requirements, although the various restrictive measures now in force necessitate purchases from outside interests at the present time. However, these reserves place the company in an excellent position to benefit from eventual recovery of the industry. Capitalization consists of $10,500,000 funded debt, 100,000 shares of 6% cumulative preferred stock of $100 par value, and 1,874,545 shares of common. Per share earnings on the common amounted to $3.68 for 1933, and while conditions in the industry during the closing months of 1934 were distinctly unfavorable, results for the full year are believed to have shown an improvement over the previous year.

(Please turn to page 467)

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BONDS

	Price Recommended	Price Close Out	Yield While Held	Points Profit
Mo. Kan. & Tex. 1st 4's of '90	87¼	92¾	4.6	5½
National Steel 1st 5's of '56	94¾	104⅞	5.3	10⅛
B'klyn Man. Transit 6's of '68	94½	101¼	6.3	6¾
*Youngstown S. & T. 5's of '78	84	98	6.0	14

PREFERRED STOCKS

	Price Recommended	Price Close Out	Yield While Held	Points Profit
*General Motors 5%	93½	99	5.3	5½
Armour of Delaware 7%	87¼	93	8.0	5¾
Wesson Oil & Snowdrift 4%	64¾	73¼	6.2	8½
*Union Pacific 4%	78½	85½	5.1	7
Goodyear Tire & Rubber 7%	81¾	89¼	4.9	7½
*Midland Steel Products 8%	59	68	6.7	9
				79⅝

***Midland Steel Products 8% Pf.**
9 *Points Profit in 6 Weeks*

***Union Pacific 4% Pf.**
7 *Points Profit in 7 Weeks*

***Youngstown S. & T. 5's of '78**
14 *Points Profit in 3 Months*

***General Motors 5% Pf.**
5½ *Points Profit in 5 Weeks*

These recommendations illustrate the promptness with which carefully selected bonds and preferred stocks reflect their intrinsic value. We will advise you by mail through our weekly and special editions what and when to buy and when to sell.

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New York Stock Exchange

Rails

	1933		1934		1935		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	1/23/35	Share
Atchison	80⅛	34⅝	73¾	45¼	55⅝	47½	48¾	†2
Atlantic Coast Line	59	16½	54¼	24½	37½	29⅞	31	..
B								
Baltimore & Ohio	37⅞	8¼	34½	12¾	14⅞	11¾	12⅜	..
Bangor & Aroostook	41¾	20	46⅛	35½	42¼	39	39	2½
Brooklyn-Manhattan Transit	41¼	21¾	44⅞	28¼	40½	36⅞	38¾	†1½
C								
Canadian Pacific	20⅞	7½	18¼	10⅞	13¾	11½	13⅜	..
Chesapeake & Ohio	49¼	24⅝	48⅝	39½	45⅜	42½	43½	2.80
C. M. & St. Paul & Pacific	11¾	1	8½	2	3	2¼	2½	..
Chicago & Northwestern	16	1¼	15	3½	5⅝	4⅜	4⅝	..
Chicago, Rock Is. & Pacific	10⅛	2	6¼	1⅜	2⅝	1⅞	2¼	..
D								
Delaware & Hudson	93¾	37⅝	73½	35	43½	36	37¼	..
Delaware, Lack. & Western	46	17¼	33¾	14	19⅛	15	16	..
E								
Erie R. R.	25¾	3¾	24⅞	9⅜	14	10½	10⅞	..
G								
Great Northern Pfd.	33¾	4⅝	32½	12¼	17¾	13¼	14½	..
H								
Hudson & Manhattan	19	6½	12⅛	4	5½	4¼	5	..
I								
Illinois Central	50¾	8½	38⅞	13⅝	17¼	13⅞	14½	..
Interborough Rapid Transit	13¾	4⅛	17½	5¼	15⅝	12¾	13½	..
K								
Kansas City Southern	24⅞	6½	19¾	6⅝	8¾	7	7⅛	..
L								
Lehigh Valley	27¾	8⅝	21¼	9½	11½	9⅛	9⅝	..
Louisville & Nashville	67½	21¼	62½	37¾	47½	40	42½	3
M								
Mo., Kansas & Texas	17⅛	5¾	14⅞	4⅜	6¼	5	5⅜	..
Missouri Pacific	10¼	1⅛	6	1½	3	2	2¼	..
N								
New York Central	58½	14	45¼	18⅜	21¾	17⅜	18⅜	..
N. Y., Chic. & St. Louis	27⅝	2⅛	26⅞	9	13	10	10½	..
N. Y., N. H. & Hartford	34⅞	11⅛	24⅛	6	8½	6⅝	6¾	..
Norfolk & Western	177	111½	187	161	174⅜	167½	174⅜	*10
Northern Pacific	34⅞	9⅝	36¼	14½	21⅞	16⅝	17⅜	..
P								
Pennsylvania	42¼	18¾	39⅛	20⅛	25⅜	21½	22½	1
Pere Marquette	37	3⅞	38	12	18⅝	15⅛	15⅜	..
S								
Southern Pacific	38¾	11⅛	33¾	14⅞	19⅛	15	15⅝	..
Southern Railway	36	4⅛	36½	11½	16½	12⅝	13½	..
U								
Union Pacific	132	61¼	133⅞	90	111½	101	104½	6
W								
Western Maryland	16	4	17¼	7⅛	9⅞	8	8½	..

Industrials and Miscellaneous

	1933		1934		1935		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	1/23/35	Share
Adams-Millis Corp	80	60	103½	73	33½	31	31⅝	2
Air Reduction, Inc	112	47½	113	91¾	115¾	110⅜	111¾	3
Alaska Juneau	33	11⅛	23⅞	16⅝	20⅛	17	17⅞	*1.20
Allied Chemical & Dye	152	70¾	160¾	115⅛	141	132¾	135¼	6
Allis Chalmers Mfg	26¾	6	23⅜	10⅜	17⅜	15⅛	17	..
Alpha Portland Cement	24	5¾	20⅛	11½	20¼	17½	18½	.25
Amerada Corp	47⅝	18½	55⅝	39	53½	48½	53¼	2
Amer. Agric. Chemical (Del.)	35	7¼	48	25¼	57½	47½	56½	2
American Bank Note	28½	8	25¼	11½	17	13½	16	..
Amer. Brake Shoe & Fdy	42½	9⅛	28	19½	29⅝	27	27⅛	.80
American Can	100½	49½	114¾	90¼	117⅞	110	115⅜	*5
Amer. Car & Fdy	39¾	6⅛	33⅞	12	20¼	17⅛	18⅛	..
American Chicle	51¼	34	70⅝	46¼	69	67¼	68⅞	*3½
American & Foreign Power	19⅝	3⅞	13¾	3⅞	5⅛	4	4⅜	..
Amer. International Corp	15⅛	4¼	11	4¾	6¾	5¾	6⅛	..
Amer. Power & Light	19⅞	4	12¼	3	3¾	3⅛	3¼	..
Amer. Radiator & S. S.	19	4⅝	17⅝	10	16⅛	14⅛	14⅝	..
Amer. Rolling Mill	31⅞	5¾	28¼	13½	24	20¼	21¾	..
Amer. Smelting & Refining	53½	10¾	51¼	30¼	40⅛	34⅛	35½	..
Amer. Steel Foundries	27	4⅝	26½	10⅛	18¼	14½	17¼	..
Amer. Sugar Refining	74	21½	72	46	67½	62	63½	2
Amer. Tel. & Tel.	134¾	86½	125¼	100⅛	106¾	103	105⅝	9
Amer. Tob B	94¾	50¾	89	67	86⅝	81	82	5
Amer. Water Works & Elec.	43¼	10⅞	27⅝	12⅝	14⅞	13	13	1
Amer. Woolen Pfd.	67½	22⅝	83¾	36	45⅛	39½	41½	..
Anaconda Copper Mining	22⅞	5	17¾	10	12⅜	10⅜	11	..
Armour Co. of Ill.	....	....	6¾	3½	6⅛	5⅛	5⅛	..
Atlantic Refining	32½	12⅜	35¼	21½	25⅝	23¾	24¼	1
Auburn Auto	84¼	31	57⅜	16½	29¾	23¾	24	..
Aviation Corp. Del.	16⅜	5½	10¾	3¾	5⅝	4½	5	..
B								
Baldwin Loco. Works	17⅝	3½	16	4½	6⅝	5½	6	..
Bayuk Cigar	52½	3¼	45¾	23	44⅝	40	42½	†1
Beatrice Creamery	27	7	19¾	10¼	18	16¼	17¼	..
Beech-Nut Packing	70½	45	76⅝	58	78	73	76	*3¾
Bendix Aviation	21¼	6⅛	23⅞	9¾	17½	14¾	15¾	..
Best & Co.	33⅛	9	40	26	37	34⅛	35⅝	2

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 1/23/35	Div'd $ Per Share
B								
Bethlehem Steel Corp	49¼	10⅛	49½	24⅛	34⅜	29⅝	31¼	..
Bohn Aluminum	58½	9½	68¾	44½	59⅞	54¼	55⅛	3
Borden Company	37⅜	18	28¼	19⅞	25¾	23½	23¾	1.60
Borg Warner	22¼	5½	31⅜	16⅛	31¼	28¼	30½	*1¼
Briggs Mfg.	14⅝	2⅝	28⅜	12	29	25¾	26¾	2
Bristol-Meyers	40½	25	37½	26	36¼	34	34½	*2.40
Burroughs Adding Machine	20⅞	6⅛	19⅜	10½	15¾	14¼	14⅞	.40
Byers & Co. (A. M.)	43¼	8½	32¾	13¾	20⅝	17	18⅛	..
C								
California Packing	34¾	7¾	44⅜	18¾	40⅜	36½	38¼	1½
Canada Dry Ginger Ale	41¼	7½	29½	12½	16⅝	14¾	15	1
Case, J. L.	103½	30½	86¾	35	61	51¾	55¼	..
Caterpillar Tractor	29¾	5½	38¾	23	40⅛	36½	39	1
Celanese Corp	58⅞	4½	44⅞	17⅛	35⅜	30⅛	31⅝	..
Cerro de Pasco Copper	44¾	5⅞	44½	30¼	47	38⅝	41½	2
Chesapeake Corp	52½	14⅞	48⅞	34	44⅞	39½	40⅝	2½
Chrysler Corp	57⅝	7¾	60⅜	29¼	42½	37⅛	37⅝	1
Coca-Cola Co	105	73½	161½	95¼	57	55½	57	3
Colgate-Palmolive-Peet	22⅜	7	18⅛	9⅜	18¼	16⅜	17¼	.50
Columbian Carbon	71¼	23⅛	77¼	58	75	67	68¾	3.40
Colum. Gas & Elec	28⅛	9	19¼	6⅝	7¾	6⅝	6⅝	..
Commercial Credit	19¼	4	40¼	18⅝	44⅝	39½	43¼	2
Comm. Inv. Trust	43½	18	61	35¾	62¼	57	59¼	*2½
Commercial Solvents	57¼	9	36¾	15¾	23⅞	20½	21⅞	.60
Congoleum-Nairn	27⅝	7⅝	35⅜	22	34⅞	32⅛	33⅝	1.60
Consolidated Gas of N. Y.	64⅛	34	47⅜	18½	22⅝	19	19½	1
Consol. Oil	15¾	5	14¼	7¼	8¾	7½	7¾	†.42
Container Corp. "A"	10¼	1⅛	13¾	6⅛	13⅝	11½	12⅝	..
Continental Can, Inc.	78⅜	35¼	64½	56¾	67⅛	62¾	66	2.40
Continental Insurance	36½	10½	36¼	23⅜	34	31⅝	33	*1.35
Continental Oil	19⅝	4⅞	22¾	15¾	19⅛	16¾	17⅞	†.50
Corn Products Refining	90⅝	45⅝	84½	55½	66⅞	63	64½	3
Crown Cork & Seal	65	14¼	36¼	18¾	26⅜	23¾	25	1
Cutler-Hammer, Inc.	21	4¼	21½	11	20¼	17¼	19	..
D								
Deere & Co.	49	5¾	34⅛	10⅛	30⅝	24½	28½	..
Diamond Match	29½	17½	28½	21	28½	26½	28⅛	1
Dome Mines	39½	12	46¼	32	39½	34⅛	36½	*3½
Douglas Aircraft	18¼	10¼	28½	14¼	24¾	20⅞	22½	..
Du Pont de Nemours	96⅜	32⅛	103⅞	80	99⅜	92½	94¼	2.60
E								
Eastman Kodak Co	89¾	46	116½	79	117¾	110½	113½	*4¾
Electric Auto Lite	27½	10	31⅜	15	29	24½	25⅜	..
Elec. Power & Light	15⅜	3⅛	9⅝	2¼	3	2½	2½	..
Electric Storage Battery	54	21	52	34	49½	45	46⅞	2¼
F								
Fairbanks, Morse & Co.	11¼	2½	18¾	7	20½	17	19¼	..
Firestone Tire & Rubber	31½	9⅛	25¼	13⅛	18⅛	16¼	16⅞	.40
First National Stores	70¾	43	69¼	53	56	49¼	52¼	2½
Foster Wheeler Corp	23	4½	22	8½	17½	14¼	14¾	..
Fox Film. Cl. A	19	12	17½	8¼	13½	11	11	..
Freeport Texas Co.	49⅜	16⅛	50⅜	21½	26	23½	24	2
G								
General Amer. Transpt	43¼	13¾	43⅝	30	38¼	35⅛	36¾	1¾
General Baking	20⅞	10½	14⅜	6½	8⅜	7¾	8¼	.60
General Electric	30¼	10½	25¼	16⅞	24⅜	20½	24⅛	.60
General Foods	39⅞	21	36⅞	28	34¾	32¾	34½	1.80
General Mills	71	35½	64½	51	62¼	60	61¾	3
General Motors Corp	35¾	10	42	24⅝	34¼	30⅝	31½	1
General Railway Signal	49½	13¼	45¾	23½	30	26	26¾	1
General Refractories	19¾	2½	23⅜	10⅛	19⅞	16⅛	17¾	..
Gillette Safety Razor	20¼	7⅝	14⅞	8½	15⅛	13¼	13¾	1
Glidden Co.	20	3¾	28⅜	15⅝	27¼	23¾	24½	*1.15
Gold Dust Corp	27⅜	12	23	16	18	16¼	16½	1.20
Goodrich Co. (B. F.)	21½	3	18	8	11⅞	9⅞	10⅛	..
Goodyear Tire & Rubber	47½	9¼	41⅜	18½	26⅞	21¾	22¾	..
Great Western Sugar	41⅞	7	35¼	25	29⅜	26⅝	27¾	2.40
H								
Hercules Powder Co	68⅝	15	81⅝	59	77⅝	73⅝	76¾	*3¾
Hershey Chocolate	72	35⅛	73¾	48½	81¾	73½	80	3
Hudson Motor Car	16⅜	3	24½	6⅛	12⅜	10⅛	10¾	..
Hupp Motor Car	7¾	1⅝	7¼	1⅞	3⅞	2¾	2⅞	..
I								
Industrial Rayon	....	....	32¼	19⅜	33	30¼	31¾	1.68
Ingersoll-Rand	78	19⅛	73¾	49½	69½	66	67¾	2
Inter. Business Machines	153¼	75¾	164	131	153¾	149¼	152¾	6
Inter. Cement	40	6⅛	37¾	18⅜	33	27½	29	†.25
Inter. Harvester	46	13⅝	46⅞	23¼	43⅞	37¼	41	.60
Inter. Nickel	23¼	6¾	29¼	21	24⅜	22¼	23⅜	.60
Inter. Tel. & Tel.	21¾	5⅛	17¾	7½	9⅞	8⅝	9¾	..
J								
Jewel Tea Co., Inc.	45	23	57½	33	57	54⅝	54⅝	3
Johns-Manville	63½	12¼	66⅜	39	57⅜	50¼	52¼	..
K								
Kelvinator	15⅝	3⅛	21¼	11⅝	18¼	16½	17⅝	.50
Kennecott Copper	26	7⅜	23⅛	16	18⅜	16¼	17	.60
Kroger Grocery & Baking	35⅝	14½	33⅝	23¼	28¾	26¼	26½	1.60
L								
Lambert Co	41⅛	19⅝	31¾	22¼	28½	26⅞	27¾	3
Lehman Corp	79⅜	37½	78	68¼	74	69½	71½	2.40
Libbey-Owens-Ford	37⅜	4¾	43⅞	22½	32¾	29⅛	30	1.20
Liggett & Myers Tob. B	99⅜	49¼	111¼	74½	107½	102	103	*5
Loew's, Inc.	36½	8½	37	20⅜	34⅜	31½	32⅜	1
Loose-Wiles Biscuit	44¾	19¼	44¾	33¼	36	35¼	35¼	2
Lorillard	25¼	10⅜	22½	15¾	21⅜	19	20⅜	*2.20
M								
Mack Truck, Inc.	46⅜	13½	41¾	22	28⅛	25⅝	26	1
Macy (R. H.)	65¾	24¼	62⅛	35¼	44¼	38¾	40	2
Mathieson Alkali	46⅝	14	40¾	23½	32	27¾	28⅞	1½
May Dept. Stores	33	9¾	45¾	30	44	41¼	43½	1.60

Dividends and Interest

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933		1934		1935		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	1/23/35	Share
M								
McIntyre, Porcupine	48⅜	18	50½	30½	43	36⅝	38⅞	2
McKeesport Tin Plate	95¾	44⅛	95⅛	79	97	90½	95	4
Mesta Machine Co	21	7	34¾	20⅛	26¼	24⅛	25¾	1½
Monsanto Chemical	83	25	96½	39	60½	56⅜	59	1
Mont. Ward & Co	28⅞	8⅝	35⅝	20	30½	26¼	27	..
N								
Nash Motor Co	27	11⅛	32¼	12⅝	19½	16⅜	16½	1
National Biscuit	60⅝	31½	49½	25⅞	30¼	27⅝	29⅛	2
National Cash Register	23⅝	5⅛	23⅝	12	18⅜	15⅝	16¾	.50
National Dairy Prod	25¾	10½	18¾	13	17	16	16¼	1.20
National Distillers	35¼	20⅞	31⅝	16	29¼	24¾	26½	.50
National Power & Light	20½	6⅞	15½	6⅝	7⅝	6⅝	6⅞	.80
National Steel	55⅛	15	58¼	34½	50½	46¼	49⅝	*1½
N. Y. Air Brake	23½	6⅛	28¾	11½	28¼	25	26	..
Noranda Mines	38⅞	17⅜	45⅞	30¼	35⅜	30¾	33⅝	†2
North American Co	36½	12½	25¼	10¼	13½	12¼	12¼	1
O								
Otis Elevator	25¼	10⅛	19⅜	12½	15⅝	13⅛	15	.60
Owens Ill. Glass	96¾	31½	94	60	87½	83⅞	87	4
P								
Pacific Gas & Electric	31⅞	15	23½	12⅜	14⅝	13⅝	14¼	1½
Pacific Lighting	43⅜	22	37	20¾	23¾	22	22	3
Packard Motor Car	6⅞	1¾	6⅝	2¾	5⅞	4⅝	4⅞	..
Paramount Publix	2½	⅛	5⅞	1¾	3⅞	3⅛	3½	..
Penney (J. C.)	56	19¼	74¼	51½	74	68½	72	†1.40
Penick & Ford	60¾	25½	67	44⅝	70	64⅞	66½	3
Phelps Dodge Corp	18⅞	4½	18⅞	13¼	16⅛	14	14½	†.75
Phillips Petroleum	18¾	4¾	20¾	13⅜	16	14¼	14¾	1
Pillsbury Flour Mills	22½	9½	34¾	18½	33¼	31¾	31¾	1.60
Procter & Gamble	47½	19⅝	44⅜	33⅛	45	42⅜	44½	1½
Public Service of N. J.	57⅛	32⅝	45	25	27	24¼	26¼	2.80
Pullman, Inc.	58⅛	18	59⅜	35¼	52⅞	46¼	49	..
R								
Radio Corp. of America	12¼	3	9⅛	4½	5½	4¾	5⅛	..
Radio-Keith-Orpheum	5¾	1	4¼	1½	2⅝	1⅞	2	..
Remington Rand	11¼	2½	13⅜	6	11¼	9¾	9½	..
Republic Steel	23	4	25¾	10½	15½	13¼	14⅞	..
Reynolds (R. J.) Tob. Cl. B	54¼	26½	53¾	39¾	51⅝	46½	48	3
S								
Safeway Stores	62⅜	28	57	38¼	46	41¼	41¾	3
Schenley Distillers	47	22	38⅞	17⅛	28½	24¼	25½	..
Sears, Roebuck & Co	47	12½	51¼	31	40½	35½	35½	..
Servel, Inc	7½	1½	9	4⅜	9	7¾	8¾	..
Shattuck (F. G.)	13¼	5¾	13⅞	6¾	9⅛	8	8¼	.25
Shell Union Oil	11⅝	4	11½	6	7⅞	6⅝	7⅝	..
Socony-Vacuum Corp	17	6	19⅞	12½	14⅞	13⅝	14	.60
So. Cal. Edison	28	14⅛	22⅛	10⅛	12¾	11⅝	11⅞	1½
Spiegel May Stern Co.	21½	1	76¾	64	79½	72½	76	..
Standard Brands	37⅝	13¾	25¼	17¼	19⅛	17⅝	17¾	1
Standard Oil of Calif	45	19½	42⅞	26½	32⅜	30⅛	31	1
Standard Oil of Ind	.....	.....	32¾	23¼	25½	24½	24⅝	1
Standard Oil of N. J.	47½	22¾	50⅛	39¼	43½	41	41⅞	*1¼
Sterling Products	63	45¾	66½	47¼	60⅞	58¾	60	3.80
Stewart-Warner	11½	2½	10⅝	4½	9¼	7⅝	8	..
Stone & Webster	19¼	5½	13¼	3⅞	5	4⅛	4⅛	..
Sun Oil Co.	59	35	74¼	51½	67½	65	67	1
T								
Texas Corp	30⅛	10¾	29⅜	19⅝	21⅝	19⅝	19¾	1
Texas Gulf Sulphur	45¼	15¼	43¼	30	35⅝	33	33½	2
Tide Water Assoc. Oil	11¾	3⅛	14⅜	8	10	8¾	9	..
Timken Roller Bearing	35½	13¾	41	24	36¾	33⅛	33⅝	1
Trico Products	38⅞	20⅛	42½	33	42½	39⅛	39⅛	2½
Tri-Continental Corp	8¾	2¾	6¾	3	3¾	2⅞	3	..
U								
Union Carbide & Carbon	51⅞	19¾	50⅞	35⅞	48	44	45¾	1.40
Union Oil of Cal.	23⅜	8½	20½	11½	16⅜	15	15⅛	1
United Aircraft	....	....	15¼	8⅛	15⅛	12⅞	14⅛	..
United Carbon	38	10¼	50⅜	35	50	46⅜	47⅝	2.40
United Corp	14½	4	8⅞	2⅛	3	2½	2⅝	..
United Corp. Pfd	40⅞	22⅛	37⅞	21¼	26⅞	23¼	26⅜	3
United Fruit	68	23¼	77	59	75¾	73¼	74⅛	3
United Gas Imp	25	13⅞	20⅛	11½	12⅞	12	12	1
U. S. Gypsum Co.	53½	18	51¼	34¼	53⅛	48⅜	48½	1
U. S. Industrial Alcohol	94	13½	64¾	32	45½	38	39	..
U. S. Pipe & Fdy.	22⅛	6⅛	33	15½	22	18¾	19½	.50
U. S. Rubber	25	2⅞	24	11	17¼	14	15	..
U. S. Smelting, Ref. & Mining	105⅝	13½	141	96⅝	124¼	106½	111¾	†9
U. S. Steel Corp	67½	23⅜	59⅞	29⅜	40⅛	35⅝	37⅜	..
U. S. Steel Pfd	105½	53	99½	67¼	94	85	92	2
V								
Vanadium Corp	36¼	7⅝	31¾	14	21¾	18	19⅛	..
W								
Warner Brothers Pictures	9⅛	1	8¼	2¾	4⅝	3⅝	3⅞	..
Western Union Tel	77¼	17¼	66⅞	29½	34¾	29⅝	32¾	..
Westinghouse Air Brake	35⅝	11¾	36	15⅞	27	24	24¼	.50
Westinghouse Elec. & Mfg	58¾	19⅜	47¼	27⅞	40¼	35¾	39⅛	..
Woolworth Co. (F. W.)	50⅞	25⅛	55¼	41¼	54½	51	53⅜	2.40
Worthington Pump & Mach.	39⅞	8	31⅞	13½	21½	17½	19	..
Wrigley (Wm., Jr.)	57¼	34½	76	54½	79½	75	75⅛	*3½

* Including extra. † Paid last year.

Answers to Inquiries

(Continued from page 462)

Effective control of "hot oil" remains a serious problem, but the Sun Oil Co's excellent record under the adverse conditions which have existed in the petroleum business during recent years is believed to justify purchasing its common stock at this time with a view to more favorable future developments.

B. F. GOODRICH CO.

Can you explain why B. F. Goodrich common stock isn't doing better? What of the company's trade and financial position? Do you believe I can look for any improvement this year?—L. G., Cleveland, Ohio.

Manufacturing operations of B. F. Goodrich are approximately evenly divided between tires and miscellaneous rubber products. As was the case with its competitors, the company was hard hit by the decline in inventory values which began in 1930 and continued through the early months of 1933. Accompanying the drop in value of its inventories, declining demand and the over-capacity of the industry intensified competition and narrowed profit margins. The improvement in sales and prices in the latter half of 1933, however, enabled the company to report for that year net income of $2,272,514. This included a profit of $2,374,937 from funded debt purchased at a discount, but was a decided improvement over the loss of $6,582,140, after $2,500,957 profit on bonds reacquired, in the previous year. In the initial half of 1934, the company reported net income of $1,580,014, equivalent to $5.37 a share on the preferred stock and to 48 cents a share on the common. After deducting extraordinary income of over $500,000, preferred dividend requirements for the period were about covered. Indications are that operations during the second half of the year were correspondingly favorable and earnings for the full year the best since 1929. Despite the fact that open market purchases since 1930 have steadily reduced the total of funded debt, financial condition remains adequate. The company's competitive position in the automobile tire replacement market has been steadily strengthened during recent years by establishing a chain of retail stores and as a result of a contract with Atlas Supply which distributes through Standard Oil filling stations. Goodrich tires are also now being handled at Gulf Oil stations. While prices in the tire division render profit margins extremely narrow, sustained sales volume and possibly some upward revision of prices is indicated for the current year. The numerous other products manufactured may be expected to respond to further industrial recovery. Arrears on the preferred stock remove the common from near-term participation in earnings, but on the basis of the progress made by the company thus far and the indicated earnings improvement for the current year, the junior equity is believed attractive for retention on a price basis.

AMERICAN BRAKE SHOE & FOUNDRY CO.

Do you recommend the purchase of American Brake Shoe? I have been reading of the new equipment to be adopted by railroads; and, if this has not already been discounted, I believe the stock should do better from now on.—K. M., Pittsburgh, Pa.

American Brake Shoe & Foundry Co. manufactures a broad line of railroad maintenance equipment, including brake-shoes and parts, track fixtures, car wheels, bearings, steel forgings and numerous other products. Since most of these items are subject to wear they must be replaced, and it is primarily because of this that the company's earnings record during the depression years has been considerably better than that of original equipment manufacturers. Nevertheless, the low level of traffic and earnings experienced by the railroads since 1929 has kept their purchases at a minimum. Once the railroads emerge from their present depressed level, however, a tremendous pent-up demand for equipment will be released which should find reflection in earnings of the subject organization. In the meantime, the company is in a position to benefit from improved demand for braking materials from the automobile and truck manufacturers and equipment orders from the railroads which cannot be longer delayed either because of the rolling stock safety factor or to keep abreast with competitors. In the initial half of 1934, the company reported net income of $658,231, equivalent, after allowing for dividend requirements on the 7% preferred stock, to 53 cents a share on the common. This compared with $241,486 or $2.55 on the preferred stock in the like period of 1933. The report for the full year 1934 is not available at this writing, but indications are that it will reveal some betterment over that for 1933, when earnings of 53 cents a share on the common stock were shown. Financial condition of the organization is strong, and this has permitted dis-

tributions to common stockholders in excess of earnings for the years 1931-33. With earnings apparently on the upgrade, the present 80-cent annual dividend on the common stock is believed secure, with probabilities favoring an increase later on. The company has no funded debt, capitalization consisting solely of 94,605 shares of 7% preferred ($100 par) and 612,916 shares of common. With large equipment orders from the railroads expected to eventually lead to a sharp recovery in American Brake Shoe's earnings, its common stock should prove profitable if acquired at present quotations.

INGERSOLL-RAND CO.

I think Ingersoll-Rand might be a good "buy" now, with the many Government building projects anticipated, and the better outlook for the steel and allied industries. What is your opinion?—W. J. L., Chicago, Ill.

Manufacturing a broad line of compressors and pneumatic tools, which are chiefly employed by the steel, construction, mining and related industries, Ingersoll-Rand Co's report for 1934 is expected to reveal a decided improvement over that of the previous year. Unofficial estimates place 1934 earnings at better than $1 a share on the common stock, which would compare with actual earnings of only one cent a share for 1933. In addition to the favorable influence of the Federal Public Works program, increased mining activity, particularly gold, has been of tangible benefit to the company. Orders from shipbuilders have also been stimulated by the naval expansion program and further gains from this source are indicated. Indicative of its business improvement, and the confidence of the management in the outlook, is the $2 special dividend recently declared on the common stock and the increase in the regular rate to $2 annually from the $1.50 rate paid during the preceding year and a half. The company is actively engaged in the air-conditioning field, having recently received a sizable order to furnish equipment for the Sears, Roebuck & Co. windowless building in Chicago. Expansion in this division may be expected as the building trades become more active. The company is a pioneer in Diesel motor development and the constantly wider application of these in tractors, yachts, passenger ships, buses, steam shovels, etc., holds interesting long-range possibilities. In co-operation with General Electric, oil-electric locomotives are produced. With gradual improvement indicated during the current year in those capital goods industries from which Ingersoll-Rand derives a major portion of its business, the company's common stock is believed attractive at present prices both from the standpoint of appreciation and income.

AMERICAN STORES CO.

Please advise me regarding American Stores Co. In view of the decline in its profit margins, do you counsel retention of my stock for income? Do you believe the 50-cent extra dividend will be continued?—R. F. V., St. Louis, Mo.

The operations of American Stores Co. are confined primarily to Pennsylvania and adjacent states where more than 2,850 stores dealing in meats and groceries serve densely-populated communities. This is one of the oldest of the chain grocery systems in the United States. Its consistent growth has been financed largely out of earnings, which speaks well for the conservative policies of its management. For the six months ended June 30, 1934, net income of $2,089,200, equivalent to $1.60 a share, was reported, as against $2,376,636 or $1.82 a share in the like interval of 1933. This decline in net income was for the most part caused by increased costs due to N R A restrictions. Such costs, however, are being reduced in many localities by combining nearby stores into larger units, which can be operated on a more economical basis. Although the profit for the full year 1934 was probably slightly under that shown for 1933, gross dollar sales are expected to show an improvement. For the first ten months of last year, sales were up approximately 4.5%. Dividends have been paid continually since 1920. In 1926, the regular dividend of $2 a share was inaugurated. In each year since that date an extra dividend of 50 cents a share has been paid in addition to the regular disbursement. Earnings throughout this period covered such requirements by a comfortable margin and there is no reason to believe that both the regular and extra dividends will not be continued. While spectacular earnings improvement or marked per-share appreciation is not looked for in the immediate future, the shares are attractive for retention on an income basis.

SHARP & DOHME, INC.

I have 200 shares of Sharp & Dohme common averaging 9⅜. Do you counsel retention? What do you think of the speculative possibilities?—W. Y., Trenton, N. J.

For many decades, the name "Sharp & Dohme, Inc.," has been favorably known in the drug trade. Until recent years, the market for its specialized pharmaceutical and biological preparations was limited for the most part to hospitals and physicians. The company manufactures and distributes over 4,000 products in domestic and foreign markets. It is now known more generally to the public through such widely advertised household products as "S T 37" antiseptic and tooth-paste. In producing these products, the company has entered into a highly competitive field, although earnings over a period of time should reflect persistent advertising. For the third quarter of 1934, the company reported net earnings of $198,182, compared with a profit of $380,881 in the like interval of 1933. However, in spite of increased operating costs, income for the first nine months of last year equalled $724,227, equivalent to $3.16 a share on the $3.50 preference shares and 16 cents on the common. This compared with a profit of $652,513 or $2.85 and 7 cents on the respective stocks in the like 1933 interval. It is estimated that full year earnings for 1934 were close to the 22 cents earned in the previous year. The financial condition, according to the balance sheet of December 31, 1933 (latest available), was exceptionally strong, with total current assets of $7,186,630, comparing with current liabilities of but $437,327. The further improvement in consumer purchasing power anticipated for the current year, should increase the sale of this company's products, particularly the antiseptic and tooth-paste items. While dividend payments on the common stock are not looked for in the near term, we are of the opinion that the shares offer attraction for the pull and advise retention of your holdings.

McKEESPORT TIN PLATE CO.

I have seen very little published lately regarding McKeesport Tin Plate Co. As a stockholder, I will, therefore, be grateful for any news you can give me about this company.—P. G. C., Tideout, Pa.

The excellent earnings record and financial stability of McKeesport Tin Plate Co. have stood out impressively during the years of depression. The company is engaged solely in the production of tin plate, roughly 25% of its capacity having an assured outlet by virtue of its control of Metal Package Corp. which is rated as the third largest manufacturer of tin containers in the country. The recent acquisition of Colonial Can Co., by the latter company, should increase this outlet. In addition to supplying the requirements of its subsidiary, tin plate is sold to many large oil companies and food manufacturers such as Atlantic & Pacific Tea Co., Borden Co. and Corn Products Refining Co. Continental Can and American Can also take a part of the output. For the six months

ended June 30, 1934, net income of $833,407, equivalent to $2.78 a share on the common stock, was reported. This compared with earnings of $716,083 or $2.39 a share in the corresponding interval of 1933. However, indications are that tin takings in the last six months were lower than those for the comparable 1933 period. Consequently, it is believed that earnings for the full year did not equal the $6.29 a share shown for 1933. However, the current annual dividend of $4 a share is believed to have been covered by a comfortable margin. Having no funded debt or preferred stock outstanding, the 300,000 common shares represent the entire capitalization of the company. Although current prices seem to amply discount the near-term outlook, the stability of earnings, strong financial status and longer term possibilities of appreciation are believed to warrant continued retention of your holdings.

MARLIN-ROCKWELL CORP.

What do you think of Marlin-Rockwell at this time? Don't you think this stock should be selling higher in line with its yield and the improvement expected in the automobile industry? Do you consider the dividend safe?—A. G., Los Angeles, Calif.

While the principal business of Marlin-Rockwell Corp. is the manufacture of steel balls and ball-bearings used for the most part in the automobile industry, other industries take a substantial part of its production, particularly the farm implement and tractor companies. The sustained demand from automobile manufacturers in the first half of 1934 was reflected in the company's earnings for that period. In the first two quarters, profits equalled 32 cents and 41 cents a share, respectively, on the 315,245 capital shares outstanding as compared with deficits of 17 cents and 2 cents in the corresponding periods of 1933. The report for the nine months ended September 30, 1934, revealed net income of $258,031 equivalent to 82 cents a share on the capital stock, compared with $28,368 or 9 cents a share in the corresponding period of 1933. The exceptionally strong financial condition of the company permitted the payment of dividends in excess of earnings in the past year. The balance sheet at the close of 1933 revealed total current assets of $4,208,419, including cash and equivalent alone of $3,100,134, and total current liabilities of but $110,776. As business of Marlin-Rockwell Corp. closely parallels the rise and fall in automobile production, the present high rate, which is expected to continue for some time to come, should be reflected in sales and earnings. While no regular dividend rate has been established on the capital stock, continuance of a liberal policy would seem warranted by the strong financial condition and favorable earnings outlook. At present levels, therefore, the shares are believed attractive for continued retention in your portfolio.

Meeting the Problems of Low-Cost Transportation

(Continued from page 434)

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the play of politics. Even today there are thousands of political appointees in the many departmental agencies recently established. Congress in the past has yielded to the demands of organized minorities. Had Congress, instead of returning the railroads to their private owners in 1920, continued such control, would it have been possible to reduce the 2,000,000 employees then employed to the 1,000,000 now on the payrolls?

It is a recognized fact that in every country where the railroads are owned and/or operated by the Government there are many more employees per mile of road or on any other basis than in the United States.

Canada furnishes the fine illustration of the Canadian Pacific under private ownership and operation without subsidy, with similar traffic under the same rates and charges earning dividends, while its Government-owned and operated competitor, the Canadian National, of about equal mileage creating deficits running into the millions of dollars made good by the taxpayers.

If perchance we should reverse our policy of over one hundred years and take over the railroads, it would follow logically and of necessity that we also take over all competitive forms of transportation, for there could be no co-ordinated national system of transportation with part of the system government-owned and operated and part left in private ownership and operation. The total sum required for acquisition of the whole system would reach a staggering sum.

A Single Administrative Body

As already stated an efficient co-ordinated system of transportation can only be achieved through a single control or authority, namely the Interstate Commerce Commission. This Commission in the 48 years of its existence has been an agency of Congress free from domination by executive or cabinet. It should remain so. Its jurisdiction should at the earliest practical date be extended to airways, waterways and highways under bills to be enacted into law along lines recommended by the Co-ordinator. To properly administer these new functions the membership of the Commission should be increased from eleven, the present number, to possibly twelve or thirteen. These should be made into four divisions, one each for railroads, highways, waterways and airways, with the chairman of the Commission a member ex-officio of each. The present personnel of the Commission should be retained.

Objection will be made to this large increase in the Commission's duties on the ground that it is already overworked. For the past thirty years there has been hardly a session of Congress that did not impose added duties and yet the work has been efficiently and conscientiously performed to the general satisfaction of the public, whose confidence in it has never been shaken by the breath of scandal.

The problem presented by this enlargement of the functions of the Commission is one of administration. Its present methods and organization, the result of years of experience, have successfully enabled it to do its work. Its added personnel, composed of men with full knowledge of the fields of highways, waterways and airways transport, and experienced staffs will assure efficient administration.

The Commission during its long life has been comparatively free from political influence. With the added duties, here proposed, it should remain so.

With regulation of other forms of transportation, as proposed, placed in charge of such an enlarged Commission, the railroads, to a large extent, will be given that equality of opportunity which they seek.

For Profit and Income

(Continued from page 458)

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based on market values, at the end of 1934 was $1.14 a share, compared with $4.10 at the end of 1933. The report for the coming year may well be even more disappointing, for Consolidated Gas of New York paid $2.25 in 1934, whereas the last quarterly declaration was only 25 cents, while the United Gas Improvement Co. has just declared a dividend 5 cents less than the usual 30.

On the other hand, stockholders received some gratification from the preliminary report of the Caterpillar Tractor Co. which showed earnings for 1934 equivalent to $1.96 a common share, against only 16 cents a share in 1933.

Attack on Utilities Hits Public in Both Pockets

(*Continued from page* 438)

Second, if bonds of operating companies are sound, is there any logical or ethical reason why the additional capital represented by the common stocks of such companies should not receive a fair return? There has been a great deal of loose thinking on this subject. Savings banks and life insurance companies will not invest in utility bonds or retain such investments unless the bond interest is covered twice over and many look askance at bonds which are not earning three times their interest. Aside from the balance sheet, the best evidence of ample earnings to secure the margin above bond interest is provided by the dividends on stock issues. If a utility is not able to pay dividends, therefore, its bonds will not long retain the favored regard of fiduciary institutions.

Third, the best evidence that both investors and the public *accept* and *interpret* the political attack as inclusive and undiscriminating is the fact that all varieties of utility stocks—whether of holding company or operating company—have been sorely depressed in market price.

Fourth, hundreds of millions of dollars have in good faith been invested in utility common and preferred stocks by insurance companies, educational organizations, charitable organizations, religious institutions, trustees, guardians and fraternal organizations. This publication has obtained figures on such investments from various of the soundest and best-known utilities in the country.

Two of these reports are worth separate consideration because the statistics supplied do not fall into the same classifications as the others. The Southern California Edison Co. estimates that some $20,000,000 of its stocks are held by owners in the classifications outlined above. It adds that 470 estates and practically all of the larger insurance companies of the country are stockholders, as well as such educational institutions as California Institute of Technology, and Lehigh, California, Rochester, Pennsylvania, Harvard and Yale universities.

The Louisville Gas & Electric Co. reports that investors in its preferred stock include more than 1,900 widows, 342 trust estates, 242 teachers, more than 1,000 office workers, more than 1,100 railroad, building trades and other workers and 246 retired men, the majority retired because of age.

Accompanying this article is a composite table covering the American Gas & Electric Co., Commonwealth Edison, Consolidated Gas of Baltimore, United Gas Improvement Co., Consolidated Gas of New York, and Public Service Corp. of New Jersey. More than 25,000 individual stock accounts of a fiduciary character are involved in these six utilities alone. They make up an important percentage of total stockholdings. For example, stockholders of Consolidated Gas of Baltimore in this classification make up 11.3 per cent of all shareholders and hold 39.2 per cent of the preferred stock and 14.3 per cent of the common.

The number of American citizens whose funds are pooled in these fiduciary holdings can not be estimated. For all utilities, it without doubt amounts to many millions. It is this writer's guess that the damage already inflicted on this particular group of utility investments amounts to a sum larger than will be saved for domestic electricity consumers in a generation by the ruthless and blundering zeal of political reformers.

It will not change while millions of voters placidly accept political indictment of the utilities as Public Enemy No. 1.

Changing Investment Trends

(*Continued from page* 451)

Standard Brands and Pullman.

Fidelity Fund, Inc., during the quarter ended December 31, sold Atchison, Boeing, Consolidated Gas, Continental Oil, Mack Trucks, New York Central, North American, Pacific Mills, Pullman, United Airlines, Western Union and Sears, Roebuck; while its purchases or additions included Allied Chemical, American Can, American Rolling Mills, American Tobacco, Briggs Manufacturing, Chesapeake & Ohio, Commercial Credit, du Pont, Hercules Powder, Hiram Walker, Loew's, Penney, Standard Oil of New Jersey and United Fruit.

What does all of this show? It shows agreement among these particular investment trusts on the position and prospects of a few industries and a few stocks—but disagreement as to a somewhat larger number.

As might be expected the utilities are in far less favor with trust managements than was the case a few years ago. New rail purchases are in the main confined to a handful of the strongest roads. Chemicals as a group continue to be a popular medium for funds and with considerable justification despite the high ratio to earnings which their prices maintain. There is also a notable tendency to retain and even increase representation in sound companies among the heavy industries revealing an increasing faith in an ultimate comeback. There is likewise a well defined belief manifested in the comeback of the oils, although choice of individual issues shows wide differences of opinion.

The few stocks favored by the trusts which have so far reported represent good companies, but so do various other issues that some trusts have sold and others bought, which shows that trust managements are a good deal like individuals with definite likes, dislikes and varying degrees of shrewdness. In the main, however, it is encouraging to note an increasing conservatism among them which tends to justify the name of *investment* trusts.

With Our Readers

(*Continued from page* 421)

put a tax on plans and remedies. Seriously, we disagree that excessive savings have been the root of our difficulties. We are not saving too much. We are producing too little.—ED.

Sirs:

We are just taking a chance on whether we bother you too much or not with what we have to say about the articles by Mr. Hemphill and the criticism by Mr. Spahr published in THE MAGAZINE OF WALL STREET. We are content to leave the reply, if any, up to Mr. Hemphill, who, we think, can handle the matter much better than we can.

In my opinion, it would be worth while for some of the financial writers to go out into the country, mingle with the people and learn something about the terrible conditions even now prevailing throughout the land. They may learn the real cause of it all, and they may be able to prescribe a real remedy.

The manipulators of finance do not represent the business interests any more than a pair of deuces represent the winning hand in a game of poker.—M. A. W., Muskogee, Okla.

We suggest you come here and go through the streets of New York and mingle with the many millions who live here and find out about the terrible conditions prevailing even now in this city. More people are on relief in this city than live in Oklahoma and several neighboring states. Maybe you would learn the real cause of it all and be able to prescribe a real remedy. If you can,

the columns of this department are open to you. Nobody ever said the "manipulators of finance" represent the business interests, but you underestimate the value of a pair of deuces. All you have to do is declare them "wild" and they are then as good as aces. Every deuce in the deck is wild today. Otherwise we wouldn't be flooded with monetary panaceas, quack nostrums and other political pap.—ED.

Business Looks at the Pros and Cons of "Social Security"

(Continued from page 443)

aroused in annuities, as the amounts which may be voluntarily accumulated in the government agency shall not exceed $9,000, with the corresponding limitation of the annuity.

The possibilities of these new social enterprises for broad economic good must be weighed in the balance. If wisely and honestly administered they can not fail to make for social stability. And what is of more importance to business than public tranquility, order and contentment? The chief cause of social unrest is fear—fear of economic disaster. Subversive forces do not thrive well in a community which progressively works to improve the economic and cultural status of the people. To give all the workers some insurance against loss of employment, to give all the lower brackets of employees—overall or white collar—some assurance that they shall not want in dependent old age—is to take bitterness and revolutionary haste out of the forward movement of society. There is also the more immediately substantial prospect that the costs of social reform, borne individually or publicly, whether by employers or employees, may be more than offset by the direct business effects of insurance and pension funds. As time goes on the indigent aged will disappear. Some eight or ten million persons will be assured of at least some income and all persons who ordinarily earn $250 a month or less will have some income in times when employment is lacking. These groups will perhaps have less to spend during years of their productive age or of prosperity but they will have more to spend in years of unproductiveness or months of unemployment. The combined effects will certainly have some tendency to smooth out the business curve.

But the essential burden on the productive incubus of society for the benefit of the unproductive may well be so great as to crush the whole social fabric as it exists.

In the Next Issue

Foreign Trade Reaches 40% of the Boom Level

By H. M. TREMAINE

Why Liquor Stocks Are Behind the Market

By GEORGE L. MERTON

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1935 Price Range High	Low	Recent Price
Amer. Cyanamid B (.40)	17¾	16¼	17⅜
Amer. Gas & Elec. (*1.20)	20½	19⅛	20⅛
Amer. Lt. & Tr. (1.20)	10	9	9⅝
Amer. Superpower	1¼	1	1⅛
Assoc. Gas Elec. "A"	½	⅜	7/16
Atlas Corp	9½	8¼	8¾
Cities Service	1½	1¼	1⅜
Cities Service Pfd	13¾	11¾	11¾
Cleveland Elec. Illum. (2)	26½	23½	26½
Colum. G. & E. cv. Pfd. (5)	64	57	58
Commonwealth Edison (4)	55¼	47¼	52
Consol. Gas Balt. (3.60)	56⅝	52⅝	54½
Cord Corp. (†.25)	4⅜	3¾	3¾
Crane Co	10⅞	9	9⅜
Creole Petroleum	13⅜	12	12⅛
Distillers Cp. Seag	18½	15⅞	16¾
Elec. Bond & Share	7⅝	6	6⅜
Elec. Bond & Share Pfd. (6)	40½	37½	39½
Elec. Pr. Assoc. (.40)	4	3	3
Fisk Rubber	11¼	9½	9½
Ford Mot. of Can. "A" (†1¼)	32⅛	28¾	30⅝
Ford Motor, Ltd	9¼	8⅛	8⅜
General Tile	71½	62	63½
Glen Alden Coal (*1¼)	24	20⅜	21⅝
Great A. & P. Tea N.-V. (7)	139	126	128
Greyhound Corp	23⅞	20½	21⅜
Gulf Oil of Pa	60⅞	55⅝	58¼
Hudson Bay M. & S.	13¼	11½	12½
Humble Oil (1)	48⅛	44	45⅞
Imperial Oil (*.80)	17	16½	16¾
Lake Shore Mines (*4)	55	48	51¾
Mead-Johnson & Co. (*4)	63¾	60	60
National Sugar Ref. (2)	33	31½	33
Niagara Hudson Pwr	3⅜	3	3¼
Novadel-Agene (2)	22¾	21⅛	22½
Pan-Amer. Airways (*.50)	41⅛	39½	41⅛
Pepperell Mfg. (6)	89½	80	84
Pitts. Pl. Glass (1.60)	58	53½	57
Sherwin-Williams (3)	90¼	84	86¾
South Penn Oil (1.20)	23¾	22⅝	23⅛
Swift & Co. (*.75)	19⅝	17½	17⅝
Swift Int'l (2)	35½	31	32
United Founders	½	⅜	⅜
United Lt. & Pwr. A	1¼	1	1
United Shoe Mach. (5)	75¼	70	73¼
Walker Hiram H. W.	31⅜	25⅝	29

* Includes extras. † Paid last year.

How Many Jobs Can Business Make?

(*Continued from page 441*)

change his services or his products for those of the other fellow—even though most of us have slipped into the habit of thinking of the matter purely in terms of money.

Inequality of exchange values is the biggest obstacle to active business. If every product and all labor costs today had the same price ratio to 1929 or to the present national income, economic recovery would be irresistible. The damage wrought—in terms of lost economic activity—by high and rigid costs of many products, notably housing and steel, is simply incalculable.

How this works out is simply and strikingly shown by a few figures on residential construction. The cost of building in 1934 averaged only a little less than 90 per cent of the 1926 average. The national income per capita in 1934 was less than 50 per cent of the 1926 level. Result: the average person would have to pay a far greater percentage of his 1934 income in building a house than in 1926—so much larger that few people could pay it. So residential construction last year was less than 10 per cent of the 1926 average.

Though we have no census of the unemployed, it is quite certain that by far the largest single group consists of building workers, direct and indirect. Their prospect of large-scale private employment is not bright, for several reasons. Governmental efforts thus far have tended to maintain high and rigid construction costs and, incidentally, we may note that N R A greatly raised costs of a variety of other durable products, already too high. It is therefore fatuous to assume that government can take any positive steps to reduce these costs.

Then too, the majority of construction workers in the boom years were employed on large building operations, such as office buildings, hotels, apartment houses, etc. We have a surplus of such facilities today. Actual shortage and grave obsolescence are present in one-family dwellings. Anything approaching a boom in this type of building might conceivably take up an important amount of the slack in present employment, but real activity will await either lower cost or a rise in national income while costs remain horizontal. The latter outcome is the more likely of the two but will require considerable time.

The only other promise of employment for this group is their possible partial absorption in manufacture and erection of pre-fabricated houses, now on the economic threshold beyond any question; or their absorption in other new industries.

While fretting over employment in the heavy industries we are likely to forget that employment shifts are constantly going on. For example, employment in the radio industry is 98 per cent above the 1923-1925 average, but 24 per cent lower than that average in the machinery industry. Employment in aircraft is 231 per cent over the 1923-1925 level, but is 58 per cent lower in railroad car construction. In the glass industry employment is only slightly lower than in 1923-1925, but is 70 per cent less in brick and tile. Even within a single industry there are wide variations; for example, lumber employment is down some 51 per cent, but within this average employment in saw mills is down 65 per cent, while employment in turpentine is down only some 5 per cent. Employment in the chemical industry, in rayon and in mechanical refrigeration and air conditioning is in each instance much higher than in 1923-1925.

It has been said that half the people who attended the Century of Progress Exposition at Chicago are employed in industries which did not exist when the World's Fair was held in 1893. Unfortunately, forty-two years is a long time to wait for another equally great shift!

Foreign trade, we should note parenthetically, is a more important source of business activity and employment than is generally realized. We have been inclined, most of us, to think of it as a vanished thing. Our total volume of merchandise exports and imports in 1934 is estimated at $3,845,000,000. This is more than the gross revenues of all our railroads and far more than last year's total construction, public and private. Moreover, it was, in dollar value, nearly 40 per cent of the 1929 foreign trade volume. We would do well to cultivate this business.

Above we have seen that the near-term prospects of re-employment in construction are not bright. Neither are they bright in relation to such heavy-industry revival as depends upon long-term security flotations.

"Natural" Factors Favorable

On the whole, the forces working in our favor are preponderantly the much sneered at "natural" factors of recovery. Governmental intervention can aid or retard these forces, but is secondary to them. Our impatience sometimes obscures the simple reality that our economic mechanism is in very considerable degree self-corrective. Has this mechanism broken down? You might as well say that the family automobile has broken down when father gets a load of liquor under his belt and drives it at sixty miles an hour into a telephone pole. That is about what we have done to our economic machine since 1914. And when the darn thing finally simply refused to go on being abused, we invited in the political mechanics and they have been tinkering with it ever since.

In every conceivable manner we and our government fought and resisted deflation, which is a purge and an adjustment. Nevertheless it continued for the better part of four years—and it is mainly due to that medicine, hor-

rible to taste, that we are now slowly getting well. Here and throughout the world, sometimes aided by government, sometimes hampered, millions of individuals and millions of enterprises have been making their own adjustments.

The national income is gradually rising. With farm income up and the lesson of N R A price-boosting probably learned, the outlook is for a somewhat better balance of price relationships this year than in either 1934 or 1933—even though correction of some of the worst disparities still has an enormous distance to go. Consumer buying already is plainly and actively spreading from goods for immediate consumption into such durable products—chiefly household equipment—as are either equitably priced or appear indispensable to the buyer.

Above all, a quite staggering total of wear and tear and obsolescence has accumulated in this country in all types of durable goods—consumers' durable goods for household use, farmers' capital equipment, the capital equipment of all branches of industry, transportation, trade. At the same time, designers and engineers have been bending all efforts to improve the design and efficiency of all products, further speeding obsolescence of the old and further quickening the potential buyer's desire and need.

Some observers believe that at some point in the present upward cycle this huge pent-up demand for durable goods will break like a tidal wave. That is to be doubted. More likely, the upward spiral will be gradual, cumulative and subject to set-backs from time to time.

We can point to no single, specific development that promises to employ within the next year more than a small percentage of the workers now on relief. If the majority find private employment before the political mechanics hopelessly wreck the machine's feed line—which is credit—it will be at the instance of this inclusive, elusive, enormous, groundswell force that some still have the temerity to call "natural recovery."

As I See It

(Continued from page 427)

To save the self-respect of the unemployed is a glorious ideal, but how long can we prudently cling to it when the choice is between it and an ever-growing threat to the Federal credit? Haven't we already done enough experimenting to indicate where our choice must lie? Dare we follow the course of other nations, inviting devastating inflation, to foster a plan already demonstrated to be slow, unproductive and expensive?

I have no statistics to prove it, but it would be my surmise that the Public Works program of the Pharoahs of Egypt was probably halted by much the same reason. If we are not careful we may not even produce such an enduring rendezvous for tourists.

Bayuk Cigar Co.

(Continued from page 457)

Phillies" sold for 10 cents but in that year the company made what has since proven to be a very strategic merchandising move. The price of "Bayuk Phillies" was cut 50%. Sales immediately gained literally by leaps and bounds until this brand became the largest selling 5-cent cigar on the market.

While other brands have contributed to the improvement in earnings, it has been largely due to the phenomenal sales gains made by "Phillies" that earnings in a comparatively short space of time have gone from "red" to a point where consideration may be given to the payment of a generous dividend.

Last June the company paid a 4% stock dividend and in December a dividend of $1 was paid. There has been no official intimation, however, that

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, January 14	83.08	102.76	35.44	85.70	85.04	554,150
Tuesday, January 15	82.61	100.49	34.14	85.86	83.12	1,369,160
Wednesday, January 16	82.69	101.54	34.77	85.11	83.83	667,240
Thursday, January 17	82.68	101.92	34.74	85.36	84.36	736,520
Friday, January 18	82.94	102.36	34.58	85.62	84.82	685,830
Saturday, January 19	83.05	102.96	35.14	86.12	85.49	391,600
Monday, January 21	83.23	103.35	35.06	86.72	85.57]	689,160
Tuesday, January 22	83.34	102.77	34.84	86.39	85.68	593,360
Wednesday, January 23	83.29	102.88	34.59	86.19	85.33	619,950
Thursday, January 24	83.34	102.44	34.52	85.65	85.00	437,216
Friday, January 25	83.46	102.86	34.62	85.84	85.07	517,290
Saturday, January 26	83.62	102.50	34.60	85.75	85.12	322,810

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	58	61
Babcock & Wilcox (.40)	34	36
Bon Ami, B (*13)	43	46
Canadian Celanese	22¼	24¼
Colt Fire Arms (*1½)	27¾	28¾
Crowell Publishing Co. (1)	20½	22
Dictaphone Corp. (2¼)	21¼	23¼
Fajardo Sugar	75	80
National Casket (3)	53	57
Northwestern Yeast (12)	141½	145
Scovil Mfg. (1)	22⅛	23⅛
Singer Mfg. Co. (*14½)	250	255
Wilcox & Gibbs (1)	21½	....
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	42	43½
Carolina Power & Light Pfd. (7)	57	58½
Central Maine Power Pfd. (7)	45	48
Columbus Rwy. Pwr. & Lt. Pfd. (6)	68	70½
Consumers Power Pfd. (6)	82	84
Dayton Power & Light Pfd. (6)	86	89
Jersey Central Pwr. & Lt. Pfd. (7)	56½	58½
Kansas Gas & Electric Pfd. (7)	78	80
Metropolitan Edison Pfd. (6)	75	77
Nebraska Power Pfd. (7)	98½	100
New Jersey Pwr. & Lt., Pfd. (6)	68	....
Ohio Public Service Pfd. (7)	68	70
Pacific Gas & Elec. Pfd. (1.50)	20	21
Pacific Power & Light Pfd.	38	41
Puget Sound Pwr. & Lt. Pfd.	18	20
Tennessee Elec. Power Pfd. (6)	40½	42½
Texas Power & Light Pfd. (6)	75	77
Utilities Pwr. & Lgt. Pfd	4	5½
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (4)	75	79½
Mountain States Tel. & Tel. (8)	107	109
Northwestern Bell Pfd. (6½)	111	113¼
Peninsular Telephone	5	7
Southern New England Tel. (6)	105¼	107¼

* Includes extras.

the company intends to place the shares on a $4 dividend basis. It is probable that the management desires to strengthen the company's treasury position further before initiating a regular rate. While current assets at the end of 1933 were more than $6,500,000, as against current liabilities of $1,620,965, the company had only $306,297 in cash and notes payable amounted to $1,400,000. Doubtless the better earnings of the past year have permitted a more equable distribution of current assets and a reduction in loans.

At 42, the company's common stock is selling but little more than five times estimated earnings for the past year. Whether the shares are "cheap" at this price depends upon speculative factors. For instance, public taste in cigars is fickle and the shares would later prove to be undervalued at present quotations only if the company is successful in maintaining the prestige and sales volume of its principal brand. In other words, the present earnings base rests almost entirely upon the sudden and unprecedented popularity of a single product. It is this condition which doubtless accounts for the current low ratio of market quotations to earnings. On the other hand the presence of a small outstanding capitalization and large earnings are factors worthy of speculative attention and for one in a position to assume the risks involved, possibilities exist for large reward in the way of price appreciation.

Happening in Washington

(*Continued from page* 431)

dustries. Priming the pump only works when there is water in the well.

Building revival prospects are clouded. Steel and lumber are increasing sales and output, but private building expenditures continue to sag. F H A is making new drive to persuade manufacturers of building material and equipment to make a stimulative reduction of prices.

Erection costs, not materials cost, is held by material men as the effective barrier to building revival on a convincing scale. Discussing building problem in a gathering of manufacturers here a national figure declared emphatically: "There will be and should be no building recovery of magnitude until housing is made cheaper. Construction material proper amounts to only 20 per cent of average residence cost. Erection labor, builders' profits, and accessories (necessary or gadgets) take the rest. The manufactured house is the only answer; until it comes people will buy transportation instead of location."

The International Nickel Co. of Canada, Ltd.

(*Continued from page* 454)

All this development work is now behind International and the company still remains rich in working capital. At the end of last September, it possessed nearly $19,000,000 in cash or its equivalent, to say nothing of inventories of nearly $20,000,000 and receivables of nearly $6,000,000. Current liabilities totaled $5,800,000. Such a position obviously is favorable to common stockholders, for it means that earnings now, so far as can be seen, can easily be spared from the business. There is, of course, $27,627,825 in 7% preferred stock outstanding and $5,000,000 or so in the debenture stock of British subsidiaries, but even so this still leaves the common with a very substantial equity.

By how much does such an intracorporate position modify the previous contention that on present earnings and those immediately in prospect Nickel's common cannot be considered cheap? Certainly to some extent, for there is no questioning the validity of the grounds for expecting that the ultimate outcome will be profitable.

What the Insiders Hold

(*Continued from page* 435)

U. S. GYPSUM		
Charles F. Henning, Vice Pres. and Dir.	1,845 com.	Jan. 4
	469 pref.	Jan. 4
T. R. Parrish, Asst. Sec.	26 com.	Jan. 4
William L. Keady, Dir.	341 com.	Jan. 4
WALGREEN		
F. C. Schramm, Vice Pres.	4,906 com.	Dec. 31
WILLIAM WRIGLEY, JR.		
Nelson L. Buck, Vice Pres.	9,233 com.	Jan. 7
Philip K. Wrigley, Pres. and Dir.	119,682 com.	Dec. 31
James C. Cose, Vice Pres. and Dir.	16,456 com.	Dec. 31
Henry L. Webster, Asst. Sec.	1,352 com.	Dec. 1
F. W. WOOLWORTH		
Fred M. Kirby, Vice Pres.	5,000 com.	Jan. 4
Edward F. Lotz, Asst. Treas.	1,225 com.	Dec. 28
Seymour H. Knox, Dir.	91,320 com.	Dec. 28

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